2003

A Status Report
of the
Auditor General of Canada
to the House of Commons

MAY

125 OAG BVG 1878•2003

Office of the Auditor General of Canada

103-04869/

2003

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Office of the Auditor General of Canada

Making a difference... for 125 years.

In 2003, the Office marks the 125th anniversary of the appointment of the first independent Auditor General of Canada. Both sides of the House of Commons cheered when the Government of Alexander Mackenzie proposed the 1878 bill that would "free the auditing of Public Accounts from any interference on the part of the administration." That enlightened legislation laid the groundwork for 125 years of dedicated service to Parliament and to Canadians.

The May 2003 Report of the Auditor General of Canada comprises six chapters, and a Message from the Auditor General.

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© Minister of Public Works and Government Services Canada 2003
Cat. No. FA3-40/2003E
ISBN 0-662-34072-8

Auditor General of Canada
Vérificatrice générale du Canada

To the Honourable Speaker of the House of Commons:

I have the honour to transmit herewith my second Report of 2003 to the House of Commons, which is to be tabled in the House in accordance with the provisions of subsection 7(5) of the *Auditor General Act*.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

OTTAWA, 27 May 2003

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A Message from the Auditor General of Canada

Sheila Fraser, FCA
Auditor General of Canada

A Message from the Auditor General of Canada

Making a difference—for 125 years

I'm pleased to present my second Status Report to the House of Commons.

When I was named Auditor General in May 2001, I decided to keep the slogan—Making a Difference—that had been adopted by my predecessor. Though many other organizations can and do make the same claim, I think it sums up the mandate and role of the Office of the Auditor General in a simple and straightforward way.

Providing independent information to parliamentarians in my regular reports to the House of Commons—along with assurance on information provided by government—is an important step in the process of making a difference for Canadians. The information generated through our audits and studies helps parliamentarians better scrutinize government programs and services and determine whether or not Canadians have received value for their tax money—key to Parliament's role as watchdog over the public purse. The information also helps them evaluate the progress being made in government-wide management reforms.

Parliamentarians have the important task of making sure that steps are taken to correct any problems we identify. My colleagues and I frequently appear before parliamentary committees, along with representatives of the departments we have audited, to answer questions about what our audits found. The Standing Committee on Public Accounts often asks departments to produce action plans for correcting problems, and it holds them to those plans; occasionally other standing committees do this too.

This Status Report also plays a role in making a difference: it closes the loop in the auditing process by reporting back on action the government has taken in response to our audit findings and recommendations. We introduced this report in September 2002 to better meet the needs of parliamentarians, particularly the members of the Standing Committee on Public Accounts.

To discharge their responsibilities well, our elected representatives need answers to key questions: What steps has the government taken to make needed improvements? How well are departments and agencies progressing in those efforts?

We designed the Status Report to provide clear and focussed answers to these questions, based on a rigorous follow-up on our recommendations. It allows us to answer some of our own questions as well: Does our work promote positive change? Does it in fact make a difference for Canadians?

I think this Report provides solid evidence that government does act in response to our recommendations; we provide many examples of efforts by departments and agencies to make changes that will have lasting benefits.

Overall, I am pleased to say that the results are positive. Of the six chapters that follow, four report satisfactory progress, while two—Rating Departmental Performance Reports and Reform of Classification and Job Evaluation in the Federal Public Service—report unsatisfactory progress.

Managing the Risks of Non-Compliance for Customs

Overall, we are satisfied with the Canada Customs and Revenue Agency's progress in responding to the 10 recommendations we made in two previous audits of the Customs program, given the difficulty of the recommendations and the amount of time that has elapsed since we made them. Our recommendations were aimed at improving risk management in the Customs program. In April 2000 our focus was on risks related to travellers entering Canada; in December 2001 it was on risks related to commercial shipments. When we returned recently to do our follow-up, we found that the Agency had made satisfactory progress in implementing roughly half our recommendations.

In the aftermath of September 11, 2001, the Agency moved quickly to increase the screening of travellers and commercial shipments to detect potential terrorist threats. But it still faces many challenges as it seeks to manage the risks at Canada's borders.

We are pleased to see that advance passenger information is now collected from most airlines to help the Agency target high-risk air travellers. A new system now used at airports allows for better screening of travellers by customs officers. The Agency has also improved the targeting of in-transit marine containers by setting up joint targeting units with United States customs officials.

It has begun to implement its Compliance Improvement Plan—the overall compliance strategy for the Customs program and a key element of managing risk intelligently. To better clarify roles and responsibilities, the Agency has developed a plan to complete or update memoranda of understanding with organizations on whose behalf it works at the border, and it has already signed five.

The Agency has put an action plan in place to strengthen its compliance verification regime, which checks whether importers are complying with trade laws and regulations. It is also developing an ambitious training program and long-term learning plan for its compliance verification officers.

We are not satisfied with the progress made on our other recommendations. The Agency needs to move faster on collecting the information it needs to tell Parliament whether its risk management strategy is working and to support its assessment of how well the Customs program is meeting its goals. It must also step up efforts to analyze the results of random examinations; this would assist in identifying and targeting high-risk travellers and commercial shipments.

A lack of good records on training hampers the Agency's ability to determine whether its customs officers have received the training they need. Customs officers continue to express concerns about their training, even though the

Agency offers many courses for them. And while it has started to collect information from other government entities about the risks that arise from responsibilities undertaken on their behalf, the Agency needs to do much more to incorporate this information in its risk assessments.

The Economic Component of the Canadian Immigration Program

In April 2000 we reported serious problems in the management and delivery of the Canadian Immigration Program's economic component, which applies mainly to skilled workers and business immigrants. We noted that these problems hindered Canada's ability to protect the integrity of the Immigration Program and to make the most of the economic and social benefits of immigration.

Our follow-up audit found that Citizenship and Immigration Canada has taken our 2000 report and its recommendations seriously, as did the Standing Committee on Citizenship and Immigration when it considered the new *Immigration and Refugee Protection Act*. Overall, we are satisfied with the progress the Department has made.

In 2002 the Department implemented the new Act and its regulations—the first major overhaul of immigration legislation in some 25 years. Discussions with visa officers and other overseas staff indicate that the Department did a good job of preparing employees for the introduction of the new legislation by providing training and information.

Many of the issues raised in our 2000 audit have been addressed by the new Act and regulations. For example:

- Selection criteria for skilled workers and business immigrants have been amended.
- "Excessive demand" for health and social services has been defined.
- The Department can now apply for non-disclosure of information during admissibility hearings, immigration appeals, and judicial reviews.

Submission of fraudulent documents and misrepresentation are an ongoing threat to the integrity of the Immigration Program. To address this, in 2002 the Department created a new Intelligence Branch and signed new memoranda of understanding with the Royal Canadian Mounted Police and the Canadian Security Intelligence Service. A new tool, the Modern War Crimes System, is available to help visa officers identify war criminals. In addition, a new Permanent Resident Card has been developed.

We are not satisfied with the Department's progress in addressing concerns we raised in three specific areas: medical surveillance of immigrants, quality assurance for selection decisions, and the quality of reporting to Parliament.

The medical surveillance of immigrants needs greater attention to ensure that public health authorities are notified promptly of individuals requiring surveillance. The Department does not know what percentage of immigrants report to public health authorities and within what timeframe.

Although the Department has been developing a method for monitoring the quality of selection decisions for immigrants who fall within the economic component, we note that a department-wide quality assurance framework is not yet in place. This framework is essential to ensure the consistency, fairness, and integrity of the selection process.

Finally, we urge the Department to provide better information to Parliament on the economic component of the Immigration Program. Reports remain focussed on the numbers of immigrants admitted, although the Department does have other readily available information that could be useful to Parliament, such as the number of applications on hand and processing times. Currently, the number of skilled workers reported as entering Canada includes both the principal applicants and their dependants, which may lead people to overestimate the number of skilled workers admitted.

One new issue emerged in the course of this follow-up audit—the medical surveillance of refugee claimants.

Refugee claimants are required to undergo a medical assessment after they arrive in Canada. However, when it is determined that they require medical surveillance for inactive tuberculosis, the Department does not notify them or the public health authorities in the provinces and territories unless the claimant applies for a temporary work or study permit. Refugee claimants are not under medical surveillance while their claims are being processed by the Immigration and Refugee Board. This process took 10.4 months on average in 2001-02. If the Board denies refugee status, the public authorities are not notified and the failed claimant can remain in Canada for several months or years.

Correctional Service Canada—Reintegration of Male Offenders

In the past 10 years, five of our audits have reviewed all major aspects of the process of reintegrating male offenders into the community—a vital part of the mandate of Correctional Service Canada.

Overall, we are satisfied with the progress the Service has made in addressing many of our recommendations. It has taken positive steps to strengthen compliance with standards for supervising offenders in the community, improve the quality of reports to the National Parole Board for parole decisions, institute more timely case management, and shorten the time it takes to acquire critical documents on offenders.

It has been hard to make progress in many of these areas because the large number of parole officers who contribute to offender reintegration are widely dispersed across Canada. The commitment and leadership of senior management has been the key to overcoming these difficulties and achieving results.

We are not satisfied with the progress the Service has made in some other areas. There are still not enough employment programs or offender rehabilitation programs in the community. Senior correctional officers have not improved their performance of case management duties, and the Service

has not removed all delays within its control that affect the timely preparation of offenders for conditional release.

We recognize that substantive progress in many of these areas requires a fundamental change in the Service's operational culture as well as improved management practices, and thus will demand a sustained effort.

The follow-up also identified some additional related issues that need attention. We recommend that the Service take steps to

- further test the tools it uses in the initial assessment of offenders, to ensure that different raters using the tools would arrive at consistent results (inter-rater reliability);
- provide better initial and ongoing training for parole officers;
- examine the extent and impact of turnover among parole officers; and
- ensure that offenders' correctional plans are completed on time.

These are all fundamental ingredients in the sound reintegration of offenders.

Post-Secondary Recruitment Program of the Federal Public Service

The Public Service Commission has redesigned its Post-Secondary Recruitment program to better meet the needs of hiring managers and graduating students looking for work in the public service. In so doing, it has substantially implemented most of the recommendations we made in our December 2000 Report and has made recruiting faster and more flexible. Although some managers are still unaware of the recent changes, we are satisfied with the Commission's progress in marketing the program to departments.

Over the last three years, departments have increased the number of jobs they have filled using the program. However, the increase has been small compared with the increase in the total number of people hired into the public service during the same period. Despite the program's successful redesign, departments are not yet taking full advantage of it. Our follow-up found that while several departments have made significant progress, some—and the government as a whole—have made only limited progress in human resources planning and in establishing recruitment targets.

In December 2000, we recommended that the government develop a results-oriented recruitment strategy that would identify post-secondary recruitment targets to address workforce renewal challenges for the years ahead. The government still lacks a complete picture of both its recruitment needs and the educated and skilled people who are entering the public service through its various recruitment routes. Many managers continue to adopt the expediency of short-term hiring, despite the opportunity to recruit through a fast and flexible program.

Departments need to balance hiring to fill immediate vacancies and hiring strategically, with a view to ensuring that the government will have qualified people to deliver its programs and services in the future.

Rating Departmental Performance Reports

Every fall, federal departments and agencies are required to submit performance reports to Parliament that outline the results they have achieved in the previous fiscal year. Good reporting about results serves two important purposes: it enables parliamentarians to hold ministers to account for the funds their departments spend and it informs Canadians about the value they are getting for their tax dollars. Thus, good performance reporting is essential to the government's accountability to Parliament and to Canadians.

The first chapter of this report takes a look at these departmental performance reports and assesses how useful they are in providing credible information. Although our first examination of the government's reporting system in 1997 showed that the basic framework was sound, when we took another look at performance reports in 2000 we concluded that departments and agencies were too slow in improving the quality of their reports.

In 2002, we presented a model for rating departmental performance reports that outlines criteria of good reporting. In this report, we use that model to rate nine performance reports.

The overall result is still disappointing. Although we identify some promising practices, we again find that departments need to move more swiftly to improve their performance reports. Reports tend to share certain weaknesses: the results reported are not always credible and balanced; there is scant evidence that departments use performance information to make decisions; and there is too little reporting on important horizontal issues, such as security, that span the mandates of several government departments.

We will continue to update our rating model and use it both to encourage improvements in the quality of departmental performance reports and to identify promising practices and key challenges.

Reform of Classification and Job Evaluation in the Federal Public Service

Since 1995, we have been auditing the government's initiative to reform its classification and job evaluation systems through the development of the Universal Classification Standard. Normally we would follow up on previous recommendations but since the government has significantly changed its approach to classification reform, we focussed on its progress from 2000 to 2002 and the challenges that remain.

Overall, we are not satisfied with the progress made in reforming the government's outmoded and problem-ridden classification system, and we are concerned about the significant challenges the Secretariat faces in its new approach to achieving its objectives.

The system the federal government uses to classify and compensate positions is now almost 40 years old. Skills that were highly valued when this system was created have become obsolete, and changes in technology have transformed the way government works, creating new occupations in the process. The balance has shifted away from operational and administrative

support categories to policy development, program management, and professional and technical specialties such as law, science and economics.

It is clear that the old system, which is still in use today, has many problems: it is costly, cumbersome, time-consuming and complex. The government has been trying since 1991 to reform the classification and job evaluation system in the federal public service in an effort to resolve long-standing problems.

However, in May 2002 the government declared that its second attempt at reform (1995 to 2001), the Universal Classification Standard, could not be implemented government-wide because it could not develop a single compensation structure for all employees in the public service that would be workable. This planned universal approach has now been abandoned, despite a large investment of time and effort by tens of thousands of employees and an estimated investment of about $200 million in incremental costs between 1998 and 2001.

The Secretariat announced in May 2002 that the government would begin a new classification program of step-by-step, tailored reforms. Like the old system, it will use separate classification standards for each occupational group. The Secretariat is committed to using some of the work completed under the Universal Classification Standard project as a basis for developing the new group-specific standards, thereby recouping part of the investment made in developing the Standard. Our follow-up audit found the Treasury Board Secretariat still at the planning stage of the new approach.

The Secretariat will have to manage a number of challenges to succeed in this third attempt. It still has not defined a clear vision of what classification reform will entail and has not articulated an overall plan and timetable for completing the incremental reform. A step-by-step approach represents significant risks when the overall results are not defined. Our audits of other, similarly ambitious government-wide reforms have found that consistent leadership, clear expected results, sufficiently detailed plans with timelines and milestones, and active monitoring are essential to success.

In addition, the Secretariat has not finalized its compensation policy and objectives. It has addressed neither competing forces such as internal equity, labour market demands, and affordability nor the continuing need to satisfy the requirements of the *Canadian Human Rights Act*.

Finally, in focussing its efforts on the Universal Classification Standard project, the Secretariat did not exercise control over the classification of positions under the old, still existing classification system—so no one knows to what extent positions are misclassified. We view the state of job classification and compensation with serious concern.

Conclusion

We recognize the enormous challenge the government faces in delivering large and complex programs and services. Our audits do find shortcomings—that is the nature of auditing—but we try to be constructive in our criticisms and suggest solutions to the problems we identify. When we make recommendations for change, it is with the utmost respect for federal institutions and for the men and women who dedicate themselves to public service. As legislative auditors, we share an important responsibility with government: safeguarding the public purse—we, through our audits and these follow-up audits; and government, through its actions to respond to our recommendations and ensure sound management of public resources.

In conclusion, we are satisfied with the progress we found in four of our six follow-up audits this year. I hope this Status Report reassures those who wonder whether anything is ever done to fix problems identified in our audits. Clearly, the answer is yes, thanks to both Parliament and government departments. I congratulate the members of the public service who view our recommendations as opportunities to manage better. Canadians reap the benefits and the results, whether in the form of better accountability, improved programs, increased efficiency, lower costs, or better service.

Since the first independent Auditor General was appointed 125 years ago, the Office has worked diligently to serve Parliament. By consistently identifying ways to improve the government's performance, and by reporting back on concrete action that has been taken, the Office of the Auditor General strives to continue its valued tradition of making a difference for Canadians.

Chapter

1

Rating Departmental Performance Reports

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by the Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

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Rating Departmental Performance Reports

Main Points

1.1 Performance reporting is more important than ever for parliamentarians and Canadians. As events unfold and debates take place on health, the environment, and security, Canadians want to know the value they are getting for their taxes and that their elected representatives can hold ministers to account for the money their departments spend. Departmental performance reports are a key tool for ensuring effective accountability.

1.2 In 2000 an audit of departmental performance reports concluded that the progress federal departments and agencies have made to improve the quality of their performance reporting to Parliament was too slow. In 2002 we presented a model to rate departmental performance reports.

1.3 In this audit, we rated nine departmental performance reports tabled in the fall of 2002 against this model. Through this exercise we identified some promising practices, as well as many challenges that need to be addressed. Overall, we found that progress in performance reporting remains too slow for these nine departments.

1.4 We found that performance reports provide a good overview of each department's organizational context and planned strategic outcomes. However, performance expectations are not always clear and concrete, information does not necessarily focus on program results, and reported results are not always credible and balanced. As well, the reports provide little evidence that performance information is used to make decisions. We also looked at one horizontal issue and found that the reports give only limited recognition to the importance of reporting on such issues.

1.5 We will continue to update and use our rating model to encourage improvement in the quality of departmental performance reports, as well as to identify promising practices and key challenges.

The government has responded. The government welcomes the efforts of the Auditor General to assess departmental performance reports. Its comments are included at the end of this chapter.

Introduction

Performance information continues to be important

1.6 The Office of the Auditor General believes that good performance reporting is fundamental to effective governance and accountability to Parliament.

1.7 Performance reporting is important for Canadians who want to know the value they are getting for their tax dollars. It enables them to understand the difference a department is making for them. Parliamentarians also need timely access to good quality performance information about government activities, so that they can scrutinize programs and services more effectively.

1.8 Every fall, over 80 federal departments and agencies submit performance reports to Parliament that outline their accomplishments to the end of the last fiscal year as established in previous reports on plans and priorities.

1.9 In 1997 we examined the state of the federal government's reporting system following the implementation of the Improved Reporting to Parliament Project that was initiated two years earlier. We found that the government had made a good start and that the basic reporting framework was sound. However, when we conducted a follow-up audit in 2000, we found that the pace at which departments were making the needed improvements to their performance reports was too slow.

1.10 In 2001 the Eighth Report of the Standing Committee on Public Accounts stressed the importance of good performance reporting. The Committee also recommended that we "conduct random audits of the information contained in the performance reports of departments and agencies in order to verify, among other things, that the information contained in these reports is a fair representation of accomplishments against goals and objectives."

1.11 In response to this request, we developed a model to rate performance reports, which was released in 2002. This model outlines the criteria necessary to achieve good reporting. We are still updating our model and will adjust it as we use it to rate performance reports so that it will continue to reflect current best practices in reporting.

1.12 The Treasury Board Secretariat stressed the importance of good performance reporting in *Results for Canadians: A Management Framework for the Government of Canada* (2000) which stated that "Strengthening accountability to Parliament and to citizens is an integral part of the management board's change agenda." In 2002 the President of the Treasury Board released a report entitled *Canada's Performance 2002* that summarizes Canada's overall performance on 19 societal indicators. A similar report was released in 2001.

1.13 The Treasury Board Secretariat and the Office of the Auditor General plan to release the Managing for Results Self Assessment Tool in 2003. This tool will describe the transition path toward effectively managing for results. Many of the tool's concepts are similar to those of performance reporting as both approaches require credible and balanced results information.

1.14 The Treasury Board Secretariat's guidelines for preparing departmental performance reports outline performance reporting principles and provide advice about how to interpret and apply them. Even though there is no one-to-one relationship between the model and the Treasury Board Secretariat's guidelines for performance reporting, the criteria are broadly consistent with the principles in the guidelines. The model has received the general support of the Secretariat. The principles in the CCAF's (formerly the Canadian Comprehensive Auditing Foundation) 2002 *Reporting Principles—Taking Public Performance Reporting to a New Level* are also consistent with our criteria.

A model for rating departmental performance reports

1.15 Given the importance of performance reporting, we continue to work to improve our model for rating departmental performance reports. This model rates reports according to five criteria. A performance report that fully meets all five criteria would demonstrate the attributes of excellent reporting. The five criteria, each of which include several sub-criteria, are as follows:

- organizational context and strategic outcomes are clear,
- performance expectations are clear and concrete,
- key results are reported against expectations,
- performance information is credible and balanced, and
- use of performance information is demonstrated.

1.16 Together, the criteria represent expectations for a credible performance story about the difference a department can make for Canadians (Exhibit 1.1). The first three criteria reflect what has been accomplished; the other two indicate the quality and use of the performance information. In particular, the fourth criterion expects the department to show what it does to ensure the quality of its performance information. However, our model is not designed to provide assurance that the information in a performance report is accurate because it does not include an audit of performance information. As well, if a report omits a key piece of performance information, it would not likely be taken into account in the rating.

1.17 Our model provides five achievement levels. The fifth level represents the attributes of excellence in performance reporting. By meeting each criterion of the model at progressively higher levels, performance reports demonstrate that departments have increasingly mastered these attributes.

Exhibit 1.1 Model for rating performance reports—Overview

Criterion	Level 1 (basic)	Level 2 (fair)	Level 3 (good)	Level 4 (very good)	Level 5 (excellent)
Organizational context and strategic outcomes are clear	Planned strategic outcomes at each level are increasingly aligned in logical sequence with the department's operating environment, its legislated mandate, mission, and relevant risks. They indicate how the department and its key partners will contribute to the strategic outcomes.				
Performance expectations are clear and concrete	Statements of performance expectations are increasingly expressed as outputs and outcomes with a direction, an amount of change, a timeframe, and a strategy for achieving planned targets.				
Key results are reported against expectations	Key results are increasingly expressed as outputs and outcomes that contribute to each of the planned strategic outcomes with results that are aligned with performance expectations. They are increasingly accompanied by challenges, attribution, and resource information.				
Performance information is credible and balanced	Performance information is increasingly supported by reliable sources and information on data quality. The performance information presented includes a balance between successes and shortcomings.				
Use of performance information is demonstrated	Performance information is increasingly used to manage and improve future performance.				

Focus of the audit

1.18 The objective of this audit is to rate several departmental performance reports by

- determining the overall quality of these departmental performance reports, which provide Parliament and Canadians with information about departmental performance; and
- determining if horizontal issues (paragraph 1.57) are properly identified in these performance reports, using a shared outcome as an example.

1.19 We selected the performance reports of the majority of departments and agencies that have mandates that relate to the security of Canadians. These are

- Citizenship and Immigration Canada,
- Correctional Service Canada,
- the Department of Justice Canada,
- the Immigration and Refugee Board,

- National Defence,
- the National Parole Board,
- the Royal Canadian Mounted Police (RCMP),
- the Solicitor General Canada, and
- Transport Canada.

These organizations represent $19.3 billion in expenditures, or 12 percent of the government's total expenditures for fiscal year 2001–02.

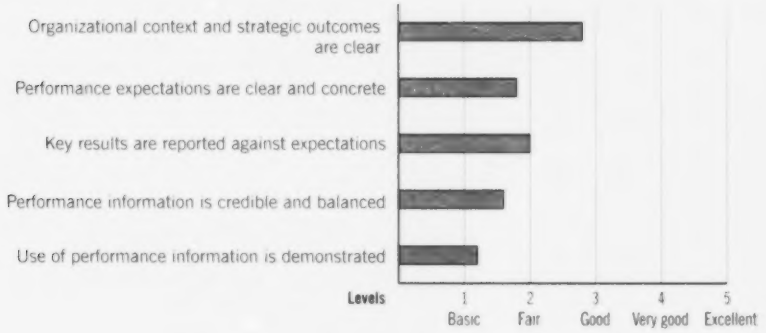
1.20 More details about this audit's objectives, scope and approach are provided in About the Audit at the end of this chapter.

Observations and Recommendations

Much remains to be done

1.21 Our audit found that the reports are not always as clear and useful as they need to be (Exhibit 1.2). Overall, the reports achieved a fairly good rating on the first criterion. They almost reached, or reached, a fair rating on the second, third and fourth criteria. However, they barely exceeded the basic level on the fifth criterion. These results show that the performance reports we rated have a long way to go before they reach the highest levels of the model. Several previous audits also expressed significant concern about the overall quality of reporting. Yet, based on our rating of these nine reports, this audit shows that performance reporting continues to face many challenges. Nonetheless, we have identified some promising practices in the nine reports that we rated, which illustrate how performance reports can be improved. These practices show how it is possible to improve reporting to Parliament.

Exhibit 1.2 Summary results for the nine reports rated



Organizational context and strategic outcomes

1.22 The first criterion requires that a department's organizational context and strategic outcomes are clear. It assesses whether the report clearly states a department's business lines and whether these are reflected in its mandate and mission. It also determines if there is a logical sequence and link between its business lines and its key results, which include its planned strategic

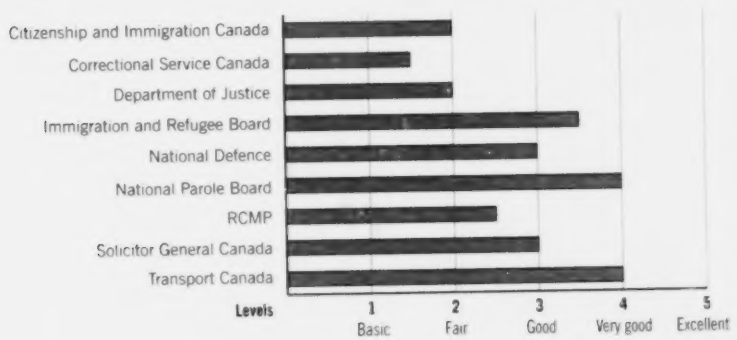
outcomes. These factors should be aligned with those that influence an organization's operating environment. This criterion also asks that key external partners be identified and that a credible description of the risks the department faces be provided.

1.23 The first criterion assumes that public sector organizations do not exist in a vacuum. That is, they are subject to many internal and external opportunities and pressures, and they have to solve increasingly complex issues in order to fulfil their mandate. Therefore, a department's performance story is only meaningful when it is placed in this broader context.

The reports generally provided a good overview of the organizational context and strategic outcomes

1.24 All but one of the reports achieved a rating of fair to very good on the first criterion (Exhibit 1.3). This is consistent with what we found in our 2002 Report when we demonstrated how our model could be used.

Exhibit 1.3 Organizational context and strategic outcomes are clear—Results for the nine reports rated



Promising practices in reporting organizational context and strategic outcomes

1.25 The reports provide good overviews of their planned strategic outcomes. Transport Canada, National Defence, and Citizenship and Immigration Canada provide Web links in their reports so that readers can get more background information. By providing more comprehensive information about the department and its organizational context through these Web links, this approach helps to keep the reports comparatively short and focussed on performance.

1.26 The reports also provide good information about how the department's business lines contribute to planned strategic outcomes, and how they are aligned with their missions and mandates, as well as federal government priorities. Transport Canada and the Solicitor General Canada did well in this area. Transport Canada's report includes a graphic that clearly shows how it links its strategic objectives with its business lines, resources, and broad

government themes. It also shows how the department's activities and outputs contribute to its strategic objectives.

Challenges to reporting on organizational context and strategic outcomes

1.27 Although the reports did relatively well with respect to the first criterion, there is still room for improvement. An important aspect of organizational context is the key partnerships through which departments deliver some of their programs. In most cases, only a list of partners is provided. There is no information about which department has the lead, or how the activities and outputs contributed to a shared outcome. We address this issue again when we discuss the reporting of horizontal issues.

Performance expectations

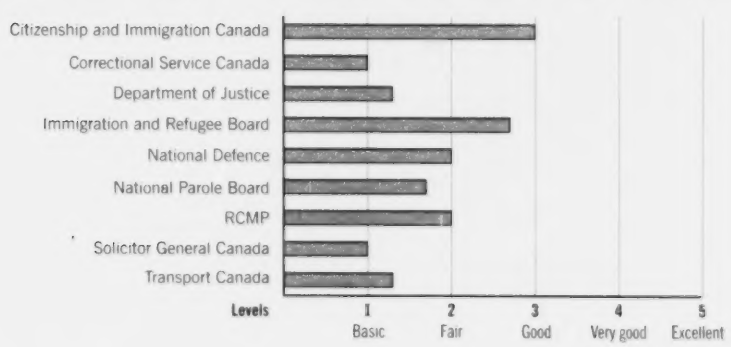
1.28 According to the second criterion, performance expectations should be clear and concrete. That is, departments should clearly state what they will do for Canadians. This criterion focusses on performance expectations and on how they relate to the organization's strategic and operational plans. Performance expectations should be clearly identified and aligned with federal government priorities. They should also be expressed as outputs, or outcomes at higher levels in the model. They should include the direction of planned changes and the timeframe in which those changes will be made. The report should state, for example, how much outcomes will be increased, maintained, or decreased as a result of the department's programs.

1.29 The second criterion also captures how the organization plans to achieve its performance goals. While most of this information is included in the corresponding report on plans and priorities, the performance report should contain enough information to enable readers to understand how the department's strategies and activities will achieve the expected results.

Performance expectations are not always clear and concrete

1.30 With the exception of two departments, the reports did not rate well on the second criterion. Overall, we found that performance expectations are not clear and concrete, and that they are not aligned with the organization's strategic and operational plans (Exhibit 1.4).

Exhibit 1.4 Performance expectations are clear and concrete—Results for the nine reports rated



Promising practices in reporting performance expectations

1.31 The RCMP report provides an executive summary chart that assesses its performance against the problem being addressed. However, because the chart does not include the organization's specific performance expectations, it is not as informative as it could be.

1.32 Throughout the Citizenship and Immigration Canada report, clear and concrete statements are made about how the department's performance expectations could affect Canadians. For example, it describes how achieving certain immigration levels will offer economic and social benefits for Canada. It explains how immigrants play an important role economically by building human capital and filling labour market gaps. According to the report, Canadian society also benefits from the cultures, traditions, and knowledge that immigrants offer, and from the strong communities and social stability that reunited families provide. The report states that attaining this performance expectation is to be demonstrated by "achieving planned emigration levels of 200,000 to 225,000 newcomers to Canada for 2001." This performance expectation states clearly the direction, amount, and timeframe of the planned change.

1.33 The Immigration and Refugee Board performance report discusses strategies for achieving planned levels of activities and outputs and how to deal with high volumes of outstanding immigration claims. For example, the report states that resources will be used to develop streamlined processes to better manage the record number of outstanding refugee claims.

Challenges to reporting performance expectations

1.34 Reports on plans and priorities are intended to establish performance expectations and outline the general direction a minister wants a department to take during the Estimates year and the two fiscal years that follow. Because performance reports are designed to provide information on results that were achieved, they are compared with the relevant reports on plans and priorities. Reports on plans and priorities set performance targets while performance reports state the extent to which they were met, and provide explanations for the level of performance achieved.

1.35 We found that, in many cases, performance reports were not consistent with departments' reports on plans and priorities. In fact, in seven of the nine reports that we rated, the performance expectations in the planning reports were, to varying degrees, different from those in the performance reports. In some cases, performance expectations were added, consolidated, modified, or deleted, and the differences were not explained. As a result, accountability for previous commitments is not clear. For example, the Solicitor General Canada's report is inconsistent with the Department's report on plans and priorities.

1.36 We also found cases where targets are vague. For example, the RCMP report states that a reduction in organized crime would be demonstrated by long-term investigations that indicate results that are superior to those in the previous year. Another practice is to provide targets that are activity-based

rather than ones that focus on outcomes. For example, the Department of Justice report states that a fairer, more effective youth justice system will be measured by the youth justice legislation.

Performance outcomes

An **outcome** is an external consequence that can be attributed to an organization, program, etc. and that is considered to be significant in relation to its commitments. Outcomes may be described as immediate, intermediate, final/end, direct or indirect, intended or unintended.

An **output** is a direct product or service that is produced through program activities and delivered to a target group or population.

(Treasury Board Secretariat)

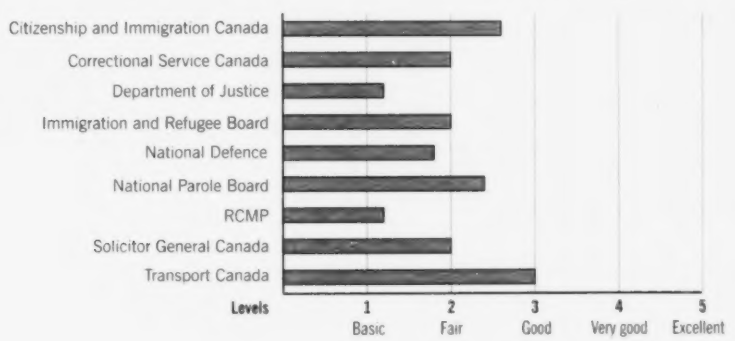
1.37 The third criterion requires that key results be reported against performance expectations and that departmental contributions be addressed. It focusses on results that are expressed as outputs, or outcomes, at the higher levels in the model, and whether or not the department achieved what it said it would achieve. The elements of this criterion include aligning outputs and outcomes with performance expectations, addressing the challenges of achieving expected results, identifying who contributed to the performance outcomes, determining the level of resources required, and explaining how results are interpreted.

1.38 This complex criterion is at the heart of good performance reporting. Unlike the first two criteria, which set the stage for performance reporting, this criterion addresses the key attributes of the performance information that is reported.

Outcomes are not widely reported

1.39 The ratings for the third criterion ranged from basic to good. In particular, the amount of results information reported by departments varies a great deal. Overall, we consider the results to be very mixed (Exhibit 1.5). Five reports provide information on the level of resources needed to achieve the strategic outcomes but none had information on resources for key outputs. As well, they pay little attention to who is responsible for achieving these outcomes.

Exhibit 1.5 Key results are reported against expectations—Results for the nine reports rated



Promising practices in reporting outcomes

1.40 The Immigration and Refugee Board report provides a lot of detailed information about its operational outputs. For example, the Board's report provides data about several referred and finalized refugee claims, specifically, about the average processing time and the cost of processing each claim. Despite the fact that it does not report performance expectations,

Correctional Service Canada does report some quantified information for a number of key results such as re-offending rates during supervision.

1.41 Many of the reports provide Web links to their evaluations and internal audits. For example, the RCMP report includes a section that conveniently summarizes its evaluations and internal audits. While the Citizenship and Immigration Canada report indicates that only one evaluation report was completed during the 2001–02 fiscal year, it presents a balanced account of its key conclusions. The Solicitor General Canada report often refers to evaluation reports that are related to several strategic outcomes, but it does not provide information on their content.

1.42 Identifying the level of resources allocated to achieve specific results is difficult. However, most of the reports managed to do so at the broad strategic outcome level. The Correctional Service Canada report provides a promising example of how to communicate this type of information. However, like other departments, it does not identify the resources allocated to achieve its key outputs and immediate outcomes. All the reports provide resources that are allocated according to business lines. Only one report identifies the financial contribution of each business line to each strategic outcome. It does this by equating its business lines to its strategic outcomes. For the most part, the reports do not provide financial information at the next level down for strategic outcomes or business lines namely, for major programs.

Challenges to reporting outcomes

1.43 We observed that some information about what activities were undertaken to produce the outputs or contribute to the outcomes is presented as the actual measures of outputs or outcomes. For example, the Citizenship and Immigration Canada report presents descriptions of recent legislative changes as measures of its performance. Other reports also present activities such as meetings, organized events and completed studies as results. While useful and relevant, any information on activities should also be accompanied by explanations about how they contribute to the results that are achieved for Canadians.

An **activity** is an operation or work process that is conducted by an organization and that is intended to produce specific outputs, for example, products or services. An activity is the primary link in the chain through which results are achieved.

(Treasury Board Secretariat)

1.44 As we indicated earlier, providing highlights of key findings from relevant evaluations and audits helps to explain the department's performance and the challenges it faces. We noted that Transport Canada's report does not provide this type of information, although such evaluations and audits were in fact conducted. A number of these evaluations and audits address issues that are of significant interest to Canadians. It would have been helpful if the Department had informed Parliament about its efforts to address these issues.

1.45 As previously noted, the Immigration and Refugee Board report provides a lot of information about its outputs. However, data on the numbers and proportions of claims accepted, rejected, withdrawn or abandoned through the refugee protection process are not provided, although they would be of interest to parliamentarians. Information on the numbers and proportions of appeals allowed and dismissed through the immigration appeal

process would also be helpful. We also observed that the Board provides little information on its outcomes.

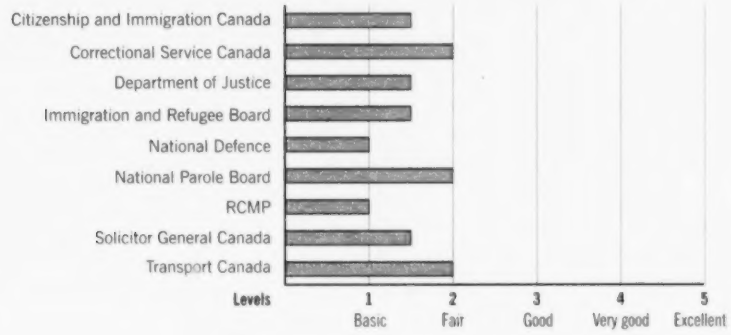
Credible and balanced results

1.46 The fourth criterion states that performance information should be credible and balanced. First, it focusses on the quality of performance information and the reliability of information sources as the basis for judging the credibility of the data. Second, it focusses on whether there is balanced reporting of good results and shortcomings, and whether the level of detail for key results is appropriate. This criterion is fundamental to good performance reporting. If all the elements of good reporting are in place, but the information provided is not credible or balanced, then the report will not be useful for parliamentarians or Canadians.

Departments do not generally report balanced results

1.47 The ratings for this criterion were between basic and fair. Overall, the reports did not achieve a good rating (Exhibit 1.6).

Exhibit 1.6 Performance information is credible and balanced—Results for the nine reports rated



Promising practices in reporting credible and balanced results

1.48 The National Parole Board report explains the limitations of the data on post-warrant expiry recidivism. It mentions that the number of re-offences measured by this indicator is probably much larger in reality because of certain limitations of the data. The Immigration and Refugee Board reports the number of complaints filed against members of the Board. Also, sections of the RCMP report provide endnotes that contain information about the external data sources.

Challenges to reporting credible and balanced results

1.49 We noted that, overall, the reports tend to present only positive performance information rather than both successes and shortcomings. This tendency to focus only on "good news" produces reports that convey a one-sided view of departments' performance. Consequently, a lack of balanced reporting means that potential users, such as parliamentarians, may be tempted to discount them as biased, incomplete or lacking credibility.

1.50 We also identified several examples of data that were of limited quality. The reports provide little information about how departments manage data quality, what the limitations of the data are, and what they intend to do to make improvements.

Use of performance information

1.51 Managing well to obtain improved results is a challenge. As noted in our December 2000 Report, Chapter 20, Managing Departments for Results and Managing Horizontal Issues for Results, there is a need for more widespread measurement of the results departments accomplish and the use of that information to improve programs. The previous four criteria are based on a more traditional approach to reporting performance, where the organizational context must be provided, the performance defined, measured, and reported against expectations, and the information must be of the highest quality. However, even if all of these conditions have been met, if feedback on past performance is not used to improve future results, then it may only be a reporting exercise for external accountability. A performance report is also an invaluable tool for departments to demonstrate that they have learned from their shortcomings and challenges, and that they are using this information to improve their future performance. This should also encourage balanced reporting.

1.52 The fifth criterion expects that performance reports will show the ways in which performance information is used, including how it will be used to establish future performance expectations. It assumes that performance information is not simply collected to create reports. Rather, it will be used to help departments make strategic decisions, highlight lessons learned, and identify how weak performance will be corrected. The performance information should also provide a credible discussion about the capacity of a department to produce sustainable results by continuing to perform well in the future.

The use of performance information is not demonstrated

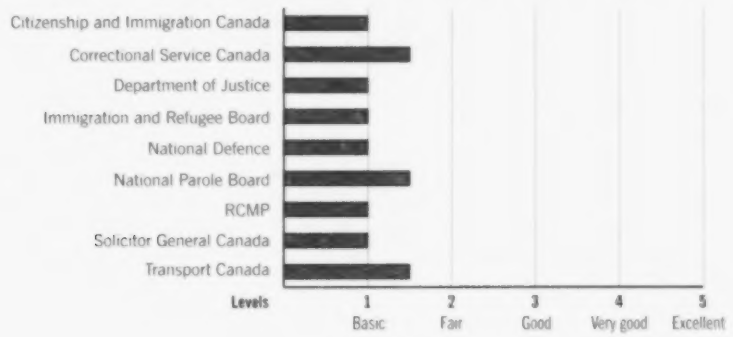
1.53 Most of the reports we rated only achieved a basic level on the fifth criterion (Exhibit 1.7). When departments produce key results that are of a reasonable quality, they should be able to demonstrate how this information is used to help make decisions about how to improve future performance.

Promising practices in reporting the use of performance information

1.54 The National Parole Board report states that it has had difficulty with managing pardon workloads and that this has an impact on processing times. In response to the growing backlog of applications for pardons, the Board lists the activities it has undertaken to improve its performance in this area.

1.55 The Department of Justice report provides a short overview of lessons learned and the challenges it is facing for each of its business lines. Although it might be a promising practice that other departments could adopt, the relevance of the lessons learned is not always clear.

Exhibit 1.7 Use of performance information is demonstrated—Results for the nine reports rated



Challenges to reporting the use of performance information

1.56 None of the reports we rated discuss the capability of departments and agencies to continue to meet performance targets in the future. The ratings suggest that this could be one of the most challenging aspects of performance reporting. Facing this challenge will require that good information be incorporated into the decision-making process and that the information be used to correct problems and to evaluate whether or not the department is heading in the right direction.

Horizontal issues

The challenge of reporting horizontal issues

1.57 Horizontal issues are programs and activities that span the mandates of several departments and agencies and that receive a contribution from each. Reporting on these issues to Parliament presents particular challenges for the government as a whole, as well as for each of the respective departments. Departments have to determine at which point their contribution to a shared outcome requires that it be reported to Parliament. The government has recently used *Canada's Performance 2002* to report on the results of some horizontal areas.

1.58 We expected that performance reports would provide sufficient and credible information to Parliament about the department's performance for significant horizontal issues. We also expected that departments participating in a horizontal activity would

- describe their role in the issue and their contribution to the shared outcome,
- identify the lead department, where appropriate, and
- direct readers to the lead department's performance report.

Reporting on the safety and security of Canadians is incomplete

1.59 As the government has stated on a number of occasions, the events of September 11, 2001 demonstrate the need for an extensive, government-

wide response to terrorism. Parliamentarians and Canadians need to know how departments and agencies are working together in a horizontal manner to help protect Canadians from organized criminal and terrorist threats. They also need to know the value they are getting for government expenditures, such as the additional $7.7 billion allocated in the December 2001 federal Budget to this issue over the next five years.

1.60 In order to measure the results of departmental contributions to this particular horizontal area, it would be useful to clearly define what these activities are supposed to achieve. Current descriptions of activities in this area at the government-wide level are sketchy. The Government of Canada's Web site states that many government departments and agencies work together to keep Canada safe but it does not identify these organizations. Information is also lacking about departmental responsibilities related to organized crime—a key issue discussed in the 2001 Speech from the Throne.

1.61 Government-wide reporting on the results of these activities is being developed. In *Canada's Performance 2002*, the President of the Treasury Board identified "security from organized criminal and terrorist threats" as one horizontal area of government activity. The report refers the reader to the performance reports of the relevant departments. The Treasury Board Secretariat Web site identifies the departments that contribute to helping protect Canadians from organized criminal and terrorist threats, and provides Web links to their performance reports.

1.62 Since government-wide documents provide only general references to horizontal issues, we expected to find more information on the participants and the results of their activities in this horizontal area in the departmental performance reports. Our rating model identifies two opportunities for departments to address horizontal issues in their performance reports: identify their role in the initiative and identify their contribution to the shared outcome.

1.63 Eight of the nine reports reviewed list some departments' key partners for their activities that address organized criminal and terrorist threats. However, the details vary significantly. Transport Canada simply lists all of its partners, without identifying the horizontal issue. Only three reports identify which department leads a particular horizontal issue. The Department of Justice provides information on horizontal, government-wide issues in a table that names the issue, the lead department, its partners, and the department's activities.

1.64 Although we did not rate the Privy Council Office's performance report, we noted that it addresses issues related to the security of Canadians. It states that, as part of the aftermath of September 11, 2001, it "led and co-ordinated the interdepartmental response to the crisis through the creation of formal co-ordination mechanisms and enhanced direct contact between personnel in different federal departments and agencies." This report does not mention which departments were involved in the horizontal area or what their responsibilities were.

1.65 None of the performance reports indicate the contributions their partners have on the shared outcome. Results of activities designed to help protect Canadians from organized criminal and terrorist threats are not reported. Only the Solicitor General Canada refers to an evaluation of the Integrated Proceeds of Crime Initiative, but the report does not provide the actual results of its contribution to the shared outcome of that initiative. A few departments report on some of the challenges that they face in working with other departments to produce shared results.

1.66 We noted that the Treasury Board Secretariat, in its *Departmental Performance Reports 2002 Preparation Guide*, requires departments to reflect the contribution their partners make to help them achieve their strategic outcomes. However, this requirement does not really go beyond asking them to identify their partners. This means that overall, there is little collective or systematic reporting to Parliament on the various initiatives aimed at increasing Canadians' security and safety or on who is accountable for these efforts and their results.

1.67 In our December 2000 Report, Chapter 20, Managing Departments for Results and Managing Horizontal Issues for Results, we recommended that the Treasury Board Secretariat should play a stronger leadership role in ensuring that horizontal issues are reported. We continue to support this view.

1.68 **Recommendation**. The Treasury Board Secretariat should strengthen its guidance and actively encourage departments to ensure that their performance reports

- identify significant horizontal areas,
- identify the lead department, where appropriate,
- identify the expected outcome for each area, and
- indicate how the department's activities and outputs contribute to the horizontal area's shared outcomes.

Treasury Board Secretariat's response: The Treasury Board Secretariat will continue to encourage departments to report on horizontal initiatives. We will be strengthening our guidance on the preparation of departmental performance reports with respect to programs and initiatives that cut across departmental boundaries.

Conclusion

1.69 This is the first time that we have used our model more extensively to rate performance reports. While we have identified some promising practices and challenges faced by the nine departments, overall, we found that their progress in improving performance reporting to Parliament remains too slow. Our ratings also showed that the importance of reporting on horizontal issues is not well recognized.

1.70 These findings are not new. In fact, they continue a trend of audit observations. In 1988 we concluded that reports to Parliament did not provide a fully satisfactory basis for accountability. In 1992 we again indicated that these reports did not provide the necessary breadth of information. In 1997 when the government reviewed its Expenditure Management System, we stated that progress in the area of performance reporting to Parliament was insufficient. In our 2000 Report, Chapter 19, Reporting Performance to Parliament: Progress Too Slow, we concluded that, "At the present pace it would take too many years for good performance to become routine."

1.71 In our 2000 report, we listed factors that contribute to the current state of reporting. These are as follows:

- frequently, the basic principles of good reporting are not understood or applied;
- performance reporting takes place in a political environment; and
- there are no incentives available for good reporting practices, or sanctions applied for those that are bad.

1.72 Various players can contribute to overcoming these obstacles. Of course, the departments should continue to work on improving their performance reports. The Treasury Board Secretariat should also continue to help them by challenging departmental performance reports and providing leadership and opportunities to increase their understanding and acceptance of the principles and practices of good performance reporting.

1.73 Parliamentary reviews of performance reports would also encourage better reporting. Parliamentarians, through various standing committees, could demand clarification and explanations of performance expectations and information. They could also challenge departments and agencies.

1.74 Our Office will continue to update and use the rating model as one tool to help encourage the improvement of performance reports to Parliament. By recognizing promising practices and identifying areas that should be improved, we hope to contribute to ensuring better reporting to Parliament.

Government's response: The government remains strongly committed to ongoing improvements to reporting to Parliament. In support of this, we welcome the efforts of the Auditor General to assess departmental performance reports in a systematic manner, identify strengths and weaknesses, and provide advice on how improvements can be made. Departmental performance reports reflect the responsibility of each minister and his or her department to account to Parliament for their performance against planned outcomes. We believe the findings, including the identification of promising practices, will help guide departments and agencies as they continue to improve their reporting to Parliament.

As indicated in the 2003 Budget, in order to reinforce accountability and transparency in public reporting, the government will continue to improve the relevance, timeliness and clarity of the information it provides to

Parliament. This includes making greater use of electronic reporting on expenditures and the results achieved by government programs and activities. The government will continue to work with parliamentarians, parliamentary committees and the Auditor General to identify opportunities to improve reporting to Parliament. We will draw on the results of these discussions and the findings of this chapter, and on other sources, as we renew our guidance to departments on performance reporting.

In particular, the recommendation that the Treasury Board Secretariat actively encourage departments to provide more fulsome reporting on significant horizontal initiatives, the Secretariat will continue to strengthen its guidance over the coming reporting period to underscore the importance of reporting on these horizontal initiatives.

About the Audit

Objective

The objective of this audit is to rate departmental performance reporting by

- determining the overall quality of departmental performance reports, and providing Parliament and Canadians with information about departmental performance; and
- determining if horizontal issues are properly identified in performance reports, using a shared outcome as an example.

Scope

We selected the performance reports of departments and agencies that have mandates that contribute to the horizontal area of helping protect Canadians from organized criminal and terrorist threats. This horizontal issue is one of those identified in the communities theme in the President of the Treasury Board's *Canada's Performance 2002* report.

We excluded the Canadian Security Intelligence Service and the Office of the Communications Security Establishment Commissioner because they are not required to prepare performance reports. The Customs program of the Canada Customs and Revenue Agency is also excluded, because although the Agency prepares a departmental performance report, it is one of the three agencies that report to Parliament through an annual report that this Office assesses separately.

Grouping similar organizations together enables us to compare common issues and challenges. Although our model is designed primarily to assess performance reporting at the department level, it also takes horizontal reporting into account.

Approach

In this audit, we assessed nine performance reports against our rating model.

These reports covered the period ending 31 March 2002. They were tabled in the House of Commons on 7 November 2002.

In the rating model, each of the five criteria is represented by a continuum that has five levels or stages of development. These are basic, fair, good, very good and excellent. An exceptional performance report would achieve an excellent rating in each criterion.

The approach developed in our April 2002 Report, Chapter 6, A Model for Rating Departmental Performance Reports requires raters to validate each other's ratings. With this in mind, our audit team used the model to rate the reports, the results of which were confirmed by experts and the Office audit team for each department and agency we examined. We did not audit each department's systems and procedures for producing the information included in their reports.

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Chapter

2

Canada Customs and Revenue Agency

Managing the Risks of Non-Compliance for Customs

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by the Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

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Canada Customs and Revenue Agency

Managing the Risks of Non-Compliance for Customs

Main Points

2.1 The events of September 11, 2001 have had a dramatic impact on the Canada Customs and Revenue Agency's Customs program and the Agency has faced many challenges as it seeks to deter and detect non-compliance at the border. In our April 2000 and December 2001 reports, we made several recommendations to the Agency for managing the risks of non-compliance for its Customs program. We found that the Agency has made substantial progress in implementing two of our recommendations. That is, the Agency is now collecting advance passenger information from most airlines to help it target high-risk air travellers and it is using a new system at airports that allows better screening of travellers.

2.2 In other cases, however, the Agency has only partially implemented our recommendations, even those that would help make the border more secure. We found that the Agency had developed a strategy for collecting information from other government entities about the risks that arise from the responsibilities it undertakes on their behalf and has started to collect this information. It has put in place an action plan to strengthen its compliance verification regime and has conducted a preliminary analysis of the results of completed compliance verifications to help identify high-risk areas of non-compliance. Until the strategy is fully implemented and a complete analysis is done, gaps will remain in the Agency's risk assessments, and border management and post-release verification plans.

2.3 The Agency has introduced tools to help customs officers determine their training needs. It has also developed new courses and continues to offer existing ones. However, customs officers continued to express concerns about their training and the Agency is unable to fully assess whether they have received the training they need. The Agency is developing an ambitious training program and long-term learning plan for its compliance verification officers in response to our December 2001 recommendations.

2.4 The Agency has not made any significant progress in collecting the information that would enable it to tell Parliament whether its risk management strategy is working or to support its assessment of how well it is achieving its objectives for the Customs program.

2.5 On 12 December 2001, the Canadian and American governments signed the Smart Border Declaration. The Declaration includes a 30-point *Action Plan for Creating a Secure and Smart Border* and the Agency is in charge of eight of the Action Plan's initiatives. Two of these are NEXUS and Free and Secure Trade (FAST), which are binational programs that are intended

to make it easier for low-risk travellers and commercial shipments to cross the border. In 2001 we were concerned that the Agency was planning to go ahead with a similar Canadian program for commercial shipments before solidly establishing its compliance verification regime that ensures that the importers involved comply with trade laws and regulations. The Agency has worked hard to improve the regime, but, in our view, it is not yet solidly established and the Agency needs to proceed with caution with its programs for commercial shipments.

2.6 We also found that the Agency has made progress implementing the other initiatives in the Action Plan. It has set up joint targeting units with United States customs officials to target in-transit marine containers, signed an agreement with the United States to share information on customs fraud, and completed a joint review of customs and immigration practices at international seaports. It has discovered some legal issues related to establishing joint border facilities with the United States and is studying them. As well, it is putting in place the mechanisms to enable the sharing of advance passenger information.

2.7 The Agency was allocated $433 million over six years as part of the government's public security and anti-terrorism initiative. It analyzed why it needed the funds and what it expects to achieve with them, but it has not systematically tracked the actual spending.

The Agency has responded. The Agency agrees with our recommendations and has indicated the actions it has planned or has under way to address them.

Introduction

2.8 In April 2000 we reported the results of our audit of how the Canada Customs and Revenue Agency manages the risks at ports of entry for travellers entering Canada. In December 2001 we reported the results of our audit of how it manages the risks of non-compliance for commercial shipments entering the country. We identified several risk-management problems in both audits. This follow-up provides a status report on how well the Agency has improved its efforts to manage these risks. The Office also recently completed an audit that included how Citizenship and Immigration Canada manages immigration risks at ports of entry. The results of that audit were reported in the Auditor General's 2003 Report, Chapter 5, Citizenship and Immigration Canada—Control and Enforcement.

2.9 The Customs program is an important part of the Canada Customs and Revenue Agency. The Agency's 2002–03 *Report on Plans and Priorities* says the expected outcome of the Customs program is that "Canadians' health, safety, security, and business interests are protected, and Canada's economic growth is supported, through responsible border and trade management."

2.10 The Agency spends about 16 percent of its resources on the Customs program (Exhibit 2.1). Spending for the Customs program increased in 2002–03. However, it is projected to fall in the next two years, while the Agency's total planned spending will increase. About 8,300 people are employed by the Customs program, more than half of whom are uniformed customs officers. However, this number is expected to fall by 2004–05.

What we found in 2000 and 2001

2.11 Our 2000 audit found that the Agency was modernizing its Customs operations and using new technology. However, we found that it did not have an overall compliance strategy for its Customs program. We also found that while the Agency was using a risk management approach to determine which travellers present the greatest danger to Canadian society, its risk assessment was incomplete because it lacked important information from other

Exhibit 2.1 The Agency's resources for its Customs program and other business lines*

	Actual 2000–01	Actual 2001–02	Planned 2002–03	Planned 2003–04	Planned 2004–05
Customs services ($ millions)	495.9	560.2	592.1**	533.2	527.6
All business lines ($ millions)	3,101.5	3,399.3	3,363.8	3,364.5	3,431.9
Full-time equivalents—Customs services	7,206	7,348	8,398	8,174	8,075
Full-time equivalents—all business lines	43,173	45,729	47,551	47,498	48,028

* The Agency's other business lines are tax services, benefit programs and other services, appeals, and corporate management and direction.
** The planned spending for 2002-03 includes funding found in Budget Plan 2001 for public security and anti-terrorism initiatives.

Source: Canada Customs and Revenue Agency, Annual Reports to Parliament and 2002-03 *Report on Plans and Priorities*

departments and agencies. Finally, we found that customs officers at land borders and airports needed to be better equipped and trained to do their complex jobs.

2.12 Our 2001 audit found that the Agency had made it easier for importers to bring legitimate goods into Canada and had provided them with several options to process commercial shipments. However, it needed to improve its enforcement activities, specifically, identifying high-risk commercial shipments and analyzing the outcome of its activities. We also found that, after six years and a lot of effort, the Agency had made little headway in assessing how well importers were complying with Customs trade laws and regulations. However, the Agency was working on a revised approach that looked promising.

2.13 The House of Commons Standing Committee on Public Accounts held a hearing on our 2001 audit and issued a report on 12 December 2002. The Committee echoed many of our concerns and made six recommendations to the Agency. The government will be responding to the Committee's report in May 2003.

What has happened since 2001

2.14 The events of September 11, 2001 had a dramatic impact on the Customs program. Within hours of the attacks, ports of entry across Canada were placed on high alert, and customs officers were mobilized to process the many U.S.-destined planes that were diverted to Canada. In the days and weeks following the attacks, the Agency increased the screening of travellers and shipments to detect potential terrorist activities.

2.15 Since then, Canadian and American government departments and agencies have strengthened their partnerships to improve security and other services at the border, while facilitating the flow of legitimate people and goods. On 12 December 2001 the Smart Border Declaration was signed by both governments. The Declaration includes a 30-point *Action Plan for Creating a Secure and Smart Border* that is supported by these four pillars:

- the secure flow of people,
- the secure flow of goods,
- a secure infrastructure, and
- co-ordination and information sharing in the enforcement of the plan's objectives.

2.16 The Agency is in charge of implementing the following initiatives of the Action Plan:

- putting in place a single, alternative inspection system called NEXUS to enable pre-approved travellers to easily cross the border;
- sharing advance passenger information and passenger name records for air travellers;
- ensuring customs and immigration practices are in place at international seaports, including ferry terminals;

- putting in place harmonized commercial processing for the two-way movement of commercial goods from pre-approved traders;
- processing truck and rail cargo at locations away from the border to improve security and facilitate trade;
- creating joint border facilities in remote locations;
- sharing information on customs fraud with the United States and sharing other customs data under the terms of the North American Free Trade Agreement; and
- working with the United States Bureau of Customs and Border Protection to target high-risk marine containers that arrive at Canadian seaports on their way to the United States or that arrive at American seaports on their way to Canada.

2.17 As part of its public security and anti-terrorism initiative announced in the 2001 Budget, the government set aside $433 million in funding over six years for the Agency to develop projects to increase the security of Canadians. Some of these projects have been expanded to binational initiatives in the 30-point Action Plan. Our Office intends to report in 2004 on the additional public security and anti-terrorism funding and how it was spent.

2.18 Since September 11, 2001, the Agency has faced many challenges and has spent a lot of time reviewing its border operations. Some of the initiatives that were part of the *Investing in the Future: The Customs Action Plan 2000–2004* are being implemented sooner than originally planned. In implementing the Smart Border Declaration, the Agency is focussing on increasing the level of co-operation with the United States and on binational programs. Border management is evolving quickly as both countries seek to improve security without impeding the free flow of legitimate goods and people.

Focus of the follow-up

2.19 The objective of our follow-up audit was to determine the progress the Agency has made in addressing the recommendations we made in our April 2000 and December 2001 reports and implementing the eight initiatives in the Smart Border Declaration's 30-point Action Plan for which Customs has the lead role. Although our previous audit work was completed before September 11, 2001, many of our recommendations were aimed at improving the way the Agency manages the risks it faces at the border and measuring how effectively this is done. We also wanted to determine whether the Agency had appropriately planned how it will spend its $433 million portion of the $7.7 billion set aside in the 2001 Budget under the government's public security and anti-terrorism initiative. The scope and criteria for this audit are set out in About the Follow-Up at the end of this chapter.

Observations

Compliance strategy

Implementation of the Compliance Improvement Plan is progressing slowly

2.20 In 2000 we found that the Agency did not have a compliance strategy for its Customs program that described its plans to encourage voluntary compliance, or that outlined its approach to responsible enforcement. A well-articulated, comprehensive strategy is a key element for promoting compliance and managing risk intelligently.

2.21 In 2001 we found that the Agency had introduced its Compliance Improvement Plan. The plan laid out a systematic method of managing the Customs program that is based on risk. It was supported by a border management plan, a post-release verification plan, and a client services plan. The Agency knew that it would be several years before the Compliance Improvement Plan reached its full potential. In particular, there were many information gaps that needed to be filled.

2.22 The 2002–03 Compliance Improvement Plan outlines the following:

- national customs priorities for border examinations of travellers and commercial shipments;
- compliance verifications of how well importers are following trade laws;
- client service activities to promote compliance, and
- investigations of smuggling and fraud.

Border examinations are conducted at ports of entry and focus on threats to Canadians' health, safety, and security, such as terrorism and contraband. The other activities outlined in the plan are usually done away from the border.

2.23 One of the goals of the Compliance Improvement Plan is to collect and analyze information about compliance trends so that the Agency can identify and address non-compliance appropriately. However, as the Agency stated in its annual report for the year ending 31 March 2002, it has not made as much progress with the Plan as it had expected. For example, it is still studying which baseline measures would be best for measuring and reporting on overall compliance levels. As well, information gaps continue to make it difficult to do the analysis. We encourage the Agency to press ahead with this initiative.

Assessing risk

2.24 When developing a compliance strategy it is important to understand the risks, determine how significant they are, and find the best way to control them. Every traveller and shipment that enters Canada presents a risk, although in most cases the Agency considers that risk to be low (Exhibit 2.2). In order to reduce delays as much as possible, the Agency's main focus at the border is checking health, safety, and security risks. Even so, examining each traveller and shipment is neither desirable nor practical. The Agency uses various techniques to focus on the travellers and shipments that present the greatest risk. In our April 2000 and December 2001 reports, we described some of these techniques, identified certain weaknesses, and recommended ways to improve them.

Exhibit 2.2 Every traveller and shipment that crosses the border presents a potential risk

Inadmissible people who will enter Canada:

- illegal migrants;
- terrorists;
- people with criminal records.

Illegal goods (contraband) that will enter Canada:

- cocaine, heroin, ecstasy, cannabis, and others;
- pornography, especially child pornography;
- weapons and firearms.

Restricted goods or goods needing permits that will enter Canada:

- alcohol and tobacco;
- endangered species;
- textiles, milk protein, and prescription drugs;
- hazardous waste;
- contaminated goods, like those with foot and mouth disease.

Travellers, importers, carriers, and drivers that make incorrect declarations (innocently or intentionally):

- incorrect answers to questions posed by customs officers;
- incorrect description of goods, including country of origin, quantities, value, end-use, and tariff classification (important for targeting).

Risk assessment still has gaps

2.25 Customs performs a front-line function at ports of entry, enforcing its own laws and parts of those of other government entities. These include Citizenship and Immigration Canada, the Canadian Food Inspection Agency, and Environment Canada. In 2000 we found that the Agency's assessment of the risks that exist at ports of entry did not include information from other government entities about the risks that arise from the responsibilities it undertakes on their behalf. This year we found that the Agency had developed a strategy for an organized approach to gathering this information and using it in its Compliance Improvement Plan. We also found that it has started to collect information on other government entity risks and incorporate it into its border management and post-release verification plans. The Agency needs to implement the strategy in a timely manner so that its plans include the risk priorities of other government entities to help its officers focus their efforts on the areas of highest risk. In the longer term the Agency needs to integrate information on other government entity risks into its overall risk assessments.

2.26 In 2000 we recommended that the Agency complete or update, on a priority basis, memoranda of understanding (MOU) with other government entities on whose behalf it acts. This is important to help ensure roles and responsibilities are understood and information is communicated in a timely fashion. Discussions have since taken place and the Agency has told us that it plans to complete or update most key Customs-related MOUs with other

government entities by 31 March 2005. We note that MOUs have already been signed with five other entities. This includes the MOU with Citizenship and Immigration Canada that was signed on 6 March 2003.

Targeting of high-risk air passengers has improved

2.27 Customs uses targeting procedures to identify high-risk air travellers before they arrive in Canada. These procedures include comparing passenger names with databases that contain intelligence information, as well as information on previous customs or immigration infractions.

2.28 In 2000 we noted that some Customs targeting units received advance passenger information for air travellers on an ad hoc basis, at the carrier's discretion. We recommended that the Agency make obtaining advance passenger information a high priority.

2.29 Legislation was passed in 2001 that requires airlines to provide advance passenger information and passenger name records to the Canada Customs and Revenue Agency. Advance passenger information includes the full name, date of birth, citizenship, and a few travel document details. The passenger name record includes more detailed travel information such as all the destinations where the traveller flew and how the ticket was paid for. In October 2002, the Agency started collecting advance passenger information and it expects to begin collecting passenger name records in the summer of 2003. It is using this information to identify high-risk passengers and plans to keep it in a database for six years to help it and other agencies identify security, public health, and criminal threats. The Privacy Commissioner of Canada had raised concerns about the Agency's plans to keep the information, but these have been resolved.

2.30 The Agency also set up passenger targeting units at eight major Canadian airports to review information received and target high-risk passengers. Targeted passengers usually go through a secondary examination that entails more extensive questioning. Citizenship and Immigration Canada officers also work in three of these units and are expected to be working in all eight by the spring of 2003. The Agency and Citizenship and Immigration Canada are also working with the United States Bureau of Customs and Border Protection to share information on high-risk travellers. For example, joint passenger analysis units were set up at the Vancouver International Airport and the Miami International Airport in September 2002. These are pilot projects and will be evaluated in the spring of 2003.

2.31 When we visited Canadian airports in December 2002, we noted that customs officers were receiving limited advance passenger information from the airlines. Several airlines were still testing their ability to electronically transmit the information to the Agency. In the meantime, some airlines were faxing the information to the Agency. By March 2003 the situation had improved so that most airlines were transmitting their information electronically. However, one major airline was transmitting information about North American flights but not about most international flights. Until the

Agency receives passenger information electronically on the vast majority of passengers arriving in Canada, the targeting program will be constrained.

Pre-approval programs for low-risk travellers are moving ahead

2.32 A key objective of the Customs Action Plan 2000–2004 and the Smart Border Declaration is to pre-approve low-risk travellers to enable them to cross the border quickly so that customs officers can focus on other travellers who may be high-risk. There are two pre-approval programs for travellers:

- CANPASS—a Canadian program, and
- NEXUS—a joint Canadian-American program.

2.33 **Land borders.** In 2000 we reviewed the Agency's experience with the CANPASS–Highway program and noted that its potential had not been achieved. CANPASS–Highway has now been replaced by NEXUS Highway. Travellers who receive a NEXUS Highway card are considered low-risk by Canada and the United States and can use their card to enter either country. NEXUS Highway was first introduced at the Blue Water Bridge (Sarnia–Port Huron) in 2000 and was expanded to other locations in British Columbia and Ontario in 2002–03. The Blue Water Bridge pilot project was evaluated and the results were encouraging. The Agency needs to firm up its evaluation plans for the new locations so that it can be sure that the program's objectives are being met.

2.34 **Airports.** While CANPASS–Highway has been replaced with NEXUS Highway, the Agency plans to go ahead with its CANPASS–Air program for air travellers. This program had been piloted for several years at the Vancouver International Airport but had little success. A CANPASS–Air enrolment centre was opened in Vancouver in March 2003. The plans call for centres to be opened in other airports sometime in the future. The Agency is also planning to introduce NEXUS Air as a one-year pilot project at the Ottawa and Montréal airports in 2004.

2.35 The Agency has not conducted feasibility studies for either the CANPASS–Air initiative or the NEXUS Air initiative, although it is planning to conduct a marketing survey. We are concerned about this because such studies are needed to show whether these initiatives would be a worthwhile investment. We noted this same concern in 2000 with respect to the CANPASS–Highway program.

Targeting of high-risk commercial shipments needs further improvement

2.36 Identifying which commercial shipments present the highest risk of not complying with Canadian laws is an important part of enforcing those laws. It also allows low-risk shipments to enter Canada more easily. In 2001 we found some weaknesses in the targeting process, and recommended improvements. The Agency agreed to work on the improvements, provided the necessary systems and financial resources were available.

2.37 This year we found that few improvements had been made to address our concerns about targeting high-risk commercial shipments. At the same

time, the Agency has developed and delivered a course on targeting commercial shipments and has improved its targeting of in-transit marine containers. At one land border port, we also noted that there was an increased emphasis on targeting high-risk shipments and providing the necessary resources to do so. However, at another land border port, we noted that the targeting function had been eliminated and that customs officers were relying on information provided by the Agency's Contraband and Intelligence Services Directorate to target high-risk shipments.

2.38 We also found that the number of commercial shipment examinations had doubled between 1 April 2001 and 31 March 2002 over the previous year. This included an increase of 50 percent in the number of random examinations. However, we found that Customs did little to analyze the results of these random examinations, which could help it improve its targeting. As well, customs officers again told us that, if other operational priorities intervene, they pay less attention to conducting random examinations. This too could diminish the usefulness of random examinations in identifying potential high-risk targets.

2.39 **Marine benchmarking study.** One of the initiatives in the Smart Border Declaration is to review customs and immigration practices at international seaports, including ferry terminals. Officials from the Agency, Citizenship and Immigration Canada, the United States Customs Service, and the United States Immigration and Naturalization Service conducted the study and reported the results in May 2002. The objective of the study was to identify best practices, strengths, and weaknesses, and make recommendations. The next step in this project is to develop an action plan to address the recommendations.

2.40 **Targeting marine containers.** Many of the containers arriving at Canadian seaports are going to American destinations. Similarly, some containers arriving at American seaports are going to Canadian destinations. As part of their joint 30-point Action Plan, Canada and the United States are working to improve container inspection by targeting in-transit marine containers. Joint targeting units were set up in 2002 in Halifax; Montréal; Vancouver; Newark, New Jersey; and Seattle, Washington. At Canadian ports, American officers target containers going to the United States and these are examined by Canadian customs officers. At American ports, Canadian officers target containers going to Canada and these are examined by United States customs officers. Unit officers told us that the ability to exchange information helped them target high-risk containers. This initiative's effectiveness at finding inadmissible people or contraband has not been evaluated.

2.41 **Sharing information on customs fraud.** The 30-point Action Plan includes an initiative for both countries to share information about customs fraud. An agreement has been signed that sets out the terms and conditions under which such information can be shared. For example, the agreement states that only information on specific importers suspected of having

committed customs fraud in either country can be shared. To date, neither country has requested information covered in the agreement.

Initiatives for low-risk commercial shipments not supported by a solid compliance verification regime

2.42 A key objective of the Customs Action Plan 2000–2004 and the Smart Border Declaration is to enable low-risk commercial shipments to cross the border quickly so that customs officers can focus on other shipments that may be high-risk. This is accomplished by pre-approving importers, transportation companies, and drivers. There are two pre-approval programs for commercial shipments:

- Customs Self Assessment (CSA)—a Canadian program, and
- Free and Secure Trade (FAST)—a joint Canadian-American program.

2.43 **Customs Self Assessment program.** At the time of our 2001 audit, the Agency was planning to implement the CSA program. The program allows pre-approved importers to bring their shipments across the border quickly and account for them more easily. Importers, transportation companies, and drivers must all be pre-approved to participate in the program. Once the participants are approved, there is limited checking of shipments at the border. Rather, the Agency relies on its compliance verifications to ensure that importers have properly accounted for the goods and that they have paid all taxes and duties owing. Compliance verifications are critical in a self-assessment environment. In 2001 we were concerned that the Agency was planning to implement the CSA program before it had solidly established its compliance verification regime. The Standing Committee on Public Accounts expressed similar concerns and recommended in December 2002 that the CSA program be delayed.

2.44 However, the Agency had already gone ahead with the CSA program. To date, five large importers have been approved to use the program, as well as many transportation companies and drivers. These five companies import about 21 percent of the total value of all the goods imported into Canada. The Agency is targeting importer participation in the program, by 2005, that would represent 50 percent of the total value of all the goods imported into Canada. This would include about 1,000 large importers. As the participation rate in the CSA program increases, the risk of not discovering any non-compliance also increases if a solid compliance verification regime is not in place.

2.45 Since our 2001 audit, the Agency has put in place the framework to strengthen its compliance verification regime and measures to analyze compliance results. It has started to implement a new, two-part approach for verifying importers' compliance. However, in our view, the Agency has not yet solidly established its compliance verification regime (paragraphs 2.60 to 2.67). We remain concerned that it cannot adequately ensure that pre-approved importers are complying with Canada's trade laws and regulations.

2.46 **Free and Secure Trade program.** The Canadian and American governments have introduced a binational program called FAST to make it

easier for low-risk commercial shipments to cross the border. Importers, transportation companies, and drivers must all be pre-approved by the CSA program to participate in FAST. Application centres have been set up at several border crossings. To date, two importers have been approved under the FAST program. As with the CSA program, we are concerned that the Agency is pressing ahead with FAST before its compliance verification regime has been solidly established. In our view, the Agency needs to proceed cautiously with the CSA and FAST programs.

2.47 **Moving the clearance process.** The Smart Border Declaration's 30-point Action Plan also includes an initiative to move the clearance process away from the border. For example, Canadian and American customs officers could conduct their operations in one country or the other, at a shared facility. The goal of this initiative is to reduce delays at the border. Discussions have taken place between the Agency and the United States Bureau of Customs and Border Protection. However, some legal issues need to be worked out before a plan can be presented to officials, approved, and put in place.

Tools and training

2.48 Customs officers must administer Customs legislation and parts of laws that govern other departments and agencies. They must know about passport and visa requirements, as well as laws that cover a broad range of products and services. Customs officers who work at the primary inspection line must quickly decide whether to let travellers and commercial shipments go on their way, or send them for a secondary inspection where they will be questioned more extensively and, in some cases, examined.

2.49 Given the complexity of customs officers' jobs, it is vital that they have the information, tools, and training they need to make correct decisions quickly. In our 2000 and 2001 audits, we found that information was not consistently shared, systems that the officers relied on needed to be improved, and training was uneven.

Improved system used to process travellers at airports

2.50 Travellers arriving in Canada by air are asked to complete a Customs Declaration Card before they arrive at Customs. An officer reviews their declaration and conducts a brief interview.

2.51 In 2000 we found that one of the key systems that was used to help customs officers decide whether to send a traveller for a secondary examination was outdated and used less than 50 percent of the time. Since then, the Agency has installed the Integrated Primary Inspection Line System. This system is directly linked to databases at the Agency and at Citizenship and Immigration Canada so that customs officers have immediate access to "lookouts" and enforcement information. A lookout alerts customs officers to watch for particular individuals and to send them for a secondary examination. We found that officers were using this system for at least 90 percent of the air passengers they processed. This is a significant improvement over 2000.

Problems with system used to process travellers at land borders are unresolved

2.52 Travellers arriving in Canada at land border crossings remain in their vehicles while a customs officer interviews them. Declaration cards are not required at land border crossings. Travellers usually only need to show some form of identification.

2.53 At many land border crossings, customs officers use the Primary Automated Lookout System–Highway to screen travellers. The system reads licence plates and compares them with a Customs database to check for previous enforcement actions and/or lookouts. Officers can also use the system to check for immigration lookouts.

2.54 In 2000 we found that the system read licence plates correctly about 70 percent of the time. For the remaining 30 percent, customs officers had to manually correct the recorded information before the system was able to compare it with the database. We recommended that the Agency explore the possibility of improving the system. Although the Agency discussed the reliability of the licence-plate readers with the manufacturer, we have found no improvement. This is a concern because correcting the information diverts the officer's attention away from interviewing the occupants in a vehicle. This raises the risk that travellers that should be sent for a secondary examination are not. This risk is greater when the officer does not correct the licence plate reading.

2.55 We also note that the Agency's system is based on licence plate information and cannot automatically connect with Citizenship and Immigration Canada's lookout system, which is based on personal identification information. Unless customs officers enter an individual's name into the Primary Automated Lookout System, they are unlikely to know if there is an immigration lookout for that individual. But they are doing this less than 10 percent of the time. Instead, they rely on their judgment to decide whether to refer travellers to a secondary immigration examination.

2.56 Finally, we note that the Integrated Primary Inspection Line System used in airports is also available at 11 highway crossings to process individuals travelling by bus. It is also being tested at two highway crossings to process commercial truck drivers.

Concerns remain about controlling commercial shipments in Windsor

2.57 In 2001 we were concerned that the facility for examining commercial shipments at the Ambassador Bridge in Windsor is about two kilometres from the bridge. Unless officers escorted a truck from the bridge to the facility, which rarely happened, the Agency could not be sure that the truck went directly to the facility, or that no one had tampered with the shipment. The Standing Committee on Public Accounts was also concerned about this situation. In December 2002 it recommended that the Agency develop a solution as soon as possible and that a report containing options, solutions, and an action plan be written and tabled in the House of Commons no later than 31 March 2003.

2.58 This year we found that the Agency had issued a bulletin on escorting high-risk shipments in November 2001. Officials told us that escorts are used in high-risk situations when there is a specific lookout for a truck or driver, or when a customs officer is convinced the shipment or the driver is high-risk and is unlikely to go to the examination facility. We believe this is the same process that was followed in 2001.

2.59 The Agency plans to report on the Ambassador Bridge (as requested by the Standing Committee on Public Accounts) in the government's response to the Committee's report. It is expected to be tabled in the House of Commons in May 2003.

Interim measures being used to analyze results of compliance verifications

2.60 In 2001 we recommended that the Agency develop a national computer system to capture the results of all compliance verification activities. The Standing Committee on Public Accounts also stressed that the Agency should thoroughly assess its data and information systems requirements and take timely action to improve its information management systems for compliance verification.

2.61 Since then, we noted that the Customs Branch has developed a detailed business case for a national compliance verification reporting system, which is expected to cost about $20 million over a five-year period. The next step in the process is to seek senior management's approval for the system and its funding.

2.62 As an interim measure, the Branch developed a spreadsheet-based process to capture the results of some of its verifications. In 2000–01 it conducted compliance verifications to check whether importers had classified and valued goods correctly. The Agency prepared a preliminary analysis of the results of 74 of these verifications that had looked at three high-risk commodities: textiles/apparel, steel, and footwear. The analysis showed an error rate that ranged from 25 to 31 percent for the classification of these commodities and from 19 to 27 percent for valuation. Agency officials indicated that based on these results, potential trade data errors could reach more than $11 billion for these commodities. In 2001 we also noted high error rates of 29 percent for classification and 15 percent for valuation for all commodities. Accurate trade data are important for negotiating and monitoring trade agreements and are used by businesses to make domestic and foreign investment decisions.

2.63 We were encouraged that the Agency had done this analysis to identify compliance problems, and had used it to plan its compliance verification activities for 2002–03. But the Agency did other verifications in 2000–01. However, because the spreadsheet is not yet fully developed, the Agency did not analyze the results of those verifications to identify high-risk areas of non-compliance. As the new reporting system is developed and the results of more compliance verifications are collected and analyzed for subsequent years, the Agency should be in a better position to determine the degree of compliance

with trade laws and regulations, and whether compliance has improved or deteriorated.

New approach to verifying importers' compliance is partially implemented

2.64 At the time of our 2001 audit, the Agency was piloting a new, two-part approach for verifying importers' compliance because it had experienced great difficulty implementing the previous approach. This approach includes compliance assessment reviews and a new verification process. A compliance assessment review is designed to measure an importer's level of compliance and to identify areas where the importer is most likely to be non-compliant. The new verification process involves detailed testing of identified high-risk areas to determine the extent of non-compliance. The testing of the methodology and most of the training of compliance verification officers in all regions were completed in November 2001. Interim guides were also provided to compliance verification officers to help them conduct the verifications.

2.65 Since our 2001 audit, about 260 compliance assessment reviews have been completed. Officials have done a limited analysis of the results of those reviews. However, they were unable to tell us how many new verification processes had been conducted as a result of the risks identified by compliance assessment reviews.

2.66 In February 2002, the Agency developed a comprehensive, three-year action plan for managing the implementation of compliance assessment reviews and the new verification process. The plan outlined several components that are still being developed, including the following:

- creating the trade verification manual,
- creating a verification report template,
- developing time standards for compliance assessment reviews and the new verification process,
- enhancing client profile procedures, and
- developing a quality assurance framework.

The action plan laid out the work needed to implement the new approach, which is critical to strengthening the compliance verification regime.

2.67 Progress has been made in implementing compliance assessment reviews and the new verification process. However, it is too early to determine the effectiveness of the new approach since the results of verifications have not yet been collected, reviewed, or analyzed. As part of the action plan, the Agency indicated that it will evaluate the methodology for compliance assessment reviews and the new verification process in 2003–04.

Slow progress in improving customs officer training

2.68 Training provides customs officers with the knowledge and skills they need to do their complex jobs. The Agency has designed several courses for officers. They are offered at the Agency training facility in Rigaud, Quebec, as well as in regional offices and at ports. Some courses are mandatory, such as the eight-week induction course for new recruits. Officers are then expected

to take additional mandatory training, depending on the area in which they will be working. For example, there is a three-to-five day course for processing land or air travellers, and a three-week course for processing commercial shipments. Other mandatory and discretionary courses are also offered on several topics.

2.69 In 2000 we were concerned that the training needs of all employees were not being assessed on a regular basis, that training plans were not being developed each year, and that the Agency did not keep complete training records. Since then, the Agency has introduced a competency profile for customs officers. This profile helps officers determine where they have training needs. We found that about 20 percent of officers had used the competency profile.

2.70 We also found that about half of the officers have completed an individual learning plan. The plan, which is approved by the officer's supervisor, identifies the formal and informal training that the officer would like to take to be able to do a better job. However, more than two thirds of the officers we surveyed indicated that they were not aware of the training courses being offered, and about half said that their supervisor did not take a proactive role in helping them determine their training needs. Better information about when and where courses are being offered and more active participation by supervisors would improve the learning plans. We also noted that the Agency does not have an accurate record of the courses its officers have taken. This means that it is unable to fully assess whether employees have received the training they need.

2.71 In 2000 we recommended that appropriate training be provided in a timely manner. The Agency has continued to offer its existing courses and has prepared and delivered new courses to inform its officers about changes in laws, and to teach them how to use new equipment and systems, and how to deal with new threats. For example, over 60 percent of officers have received training on the recent changes to the *Immigration and Refugee Protection Act*. As well, the Agency recently developed a one-day training course on chemical, biological, radiological, nuclear, and explosive threats, which has been delivered to over 85 percent of its customs officers. At the same time, officers told us that they did not have sufficient training to detect fraudulent documents or use new drug identification tools and technologies. They also said that they had not received refresher training in key areas which they felt they needed to keep their skills up-to-date. Furthermore, many officers indicated that they did not receive the training they needed to do their jobs when they needed it. They also told us that training was often allocated on an ad hoc or preferential basis, or only if it did not require travel and overtime costs. In our view, training should be allocated based on need.

2.72 The Agency is expanding its self-directed training courses to provide "just-in-time" learning as close to the workplace as possible. Training officials told us that officers who took these courses said that they had improved their understanding of the area they had studied. At the same time, about 60 percent of officers told us that they were concerned about the

effectiveness of this type of training. Officers said that there are not enough computers or training hours available, there are constant interruptions, and there is little opportunity to ask questions and discuss the material with colleagues. We encourage the Agency to take these concerns into account as it develops more self-directed learning courses and particularly if the subject matter is complex.

2.73 In 2000 we were concerned that students were not being trained consistently across the country. We noted that headquarters had developed a three-week course for new students, but that local ports sometimes shortened it to two weeks. We also noted that after classroom training, students were expected to "shadow" a customs officer. However, the time spent shadowing an officer varied from one day to one week. This year we found that students were still receiving two to three weeks of training and that the time spent shadowing varied from one location to another. In 2001–02 the Agency employed approximately 1,200 student customs officers. Because they make critical decisions at the primary inspection line, we remain concerned that the inconsistent training of students could pose an unnecessary risk for Customs.

Compliance verification officer training has moved forward

2.74 In 2001 we identified several concerns related to the training of compliance verification officers. Since then, we noted that the Agency has worked to improve training by doing the following:

- In the spring of 2002, the Agency conducted focus groups in Calgary, Montréal, and Toronto with compliance verification officers who had various levels of expertise to determine their training needs.
- In September 2002 the Agency drafted a long-term learning plan. The plan was approved by headquarters and regional compliance verification directors and is to be presented to the Customs management committee for approval by June 2003.

2.75 The Agency outlined in its learning plan that it would develop and pilot an apprenticeship program; determine a core curriculum for beginner, intermediate, and senior compliance verification officers; and ensure that the training provided is appropriate and timely, and that it will be evaluated.

2.76 To build the long-term training framework, the Agency has also

- developed an introductory course for compliance verification officers and delivered several of these sessions, mostly to new officers;
- developed, piloted, and finalized for national use a basic accounting course, as well as completed the related trainer's course;
- started to develop an intermediate-level accounting course for 2003–04; and
- targeted the development of an advanced-level accounting course and an auditing course for 2004–05.

2.77 We are encouraged by these steps. However, we are concerned that the proposed development date for the introductory-level auditing course has been moved several times and is now targeted for 2004–05. Compliance verification officers need to have a sound knowledge of auditing techniques, in addition to accounting practices and trade regulations. We believe that the Agency needs to develop the auditing course sooner so that the training framework provides a solid foundation for training compliance verification officers.

Improving border security

Plans for spending public security and anti-terrorism funds

2.78 The federal government announced in its 2001 Budget that it would spend $7.7 billion between 2001–02 and 2006–07 to enhance the personal and economic security of Canadians. The goals of the spending were to keep Canadians safe, terrorists out of Canada, and Canada's borders secure, open, and efficient. The Agency's share of the funding was $433 million (Exhibit 2.3).

Exhibit 2.3 How the Agency plans to spend its funding for public security and anti-terrorism ($ millions)

	2001–2002	2002–2003	2003–2004	2004–2005	2005–2006	2006–2007	Total
Public Security—hiring and training new customs officers	40	17	16	16	16	16	121
Better tools for assessing risk and detecting inadmissible people							
• Advance passenger information	6	11	10	9	9	9	54
• Integrated Primary Inspection Line System	4	11	5	3	3	3	29
• Intelligence Management System	2	2	2	1	1	1	9
Strengthening technology at airports and seaports	7	54	17	16	14	14	122
Customs-controlled areas at airports	5	5	5	4	4	4	27
Better service to small business	—	5	5	2	2	1	15
Sub-total	64	105	60	51	49	48	377
Expediting pre-approved travellers*	—	15	15	12	8	8	58
	64	120	75	63	57	56	435
Less: Allocation to Justice							2
Agency total							**433**

* The December 2001 Budget included estimated costs for expediting pre-approved travellers that were originally intended to be full cost-recovery initiatives. The Agency plans to fund these initiatives through user fees and internal sources.

Source: Canada Customs and Revenue Agency

2.79 The Agency has allocated this funding to the following projects:

- hiring and training new customs officers to provide enhanced vigilance at all border locations;
- developing and using the advance passenger information and passenger name record targeting and analysis tools;
- acquiring additional equipment for the Integrated Primary Inspection Line System and installing the system at additional locations;
- implementing the Customs Intelligence Management System used to identify high-risk individuals and organizations;
- acquiring additional equipment such as x-ray machines to be used at international airports and seaports, as well as developing new systems to improve risk assessment;
- acquiring new equipment for areas in international airports that are controlled by Customs, and hiring and training new customs officers to work in those areas;
- improving service to small businesses through new Internet applications and dedicated client services officers; and
- expanding the NEXUS Highway program and developing the CANPASS–Air program to expedite pre-approved travellers.

One of these projects—NEXUS Highway—is also an initiative in the 30-point Action Plan. The funding for another project—advance passenger information—is to support a Canadian implementation. This project has been expanded to a binational initiative in the 30-point Action Plan, and the Agency is seeking additional funding. Similarly, the funding for CANPASS–Air is to support a Canadian implementation. This project has been expanded to NEXUS Air, a binational initiative in the 30-point Action Plan for which the Agency is seeking additional funding.

2.80 The Treasury Board has approved the Agency's original funding requests for all of the projects except the last one, expediting pre-approved travellers. The Agency plans to fund that project through user fees and internal sources. We reviewed the funding requests and found that the Agency had analyzed why the funds were needed and had set out the results the Agency expected to deliver. This was supported by a description of the risks, calculations of the resources needed to achieve the goals for each project, and any assumptions made in preparing the calculations.

2.81 While it is too early to determine what has been accomplished to date, we found that the Agency has not systematically tracked its spending on these projects. We are concerned that it will not be able to fully account for how the funds have been spent.

Measuring performance

Improvements to performance measures are at the planning stage

2.82 The expected outcomes of the Customs program are to protect Canadians' health, safety, security, and business interests, and support Canada's economic growth through responsible border and trade

management. We expected that the Agency would have performance measures in place to show how well it is achieving these outcomes.

2.83 In 2000 and 2001 we noted that there were many gaps in the Agency's performance measures for its Customs program. We recommended several improvements, including that the Agency should collect the information it needs to assess how effective its risk management approach is.

2.84 Since we conducted our audits, the Canada Customs and Revenue Agency has presented two annual reports to Parliament. Under the *Canada Customs and Revenue Agency Act*, the Auditor General is required to assess the fairness and reliability of the performance information in the annual report.

2.85 The Agency's report for the year ending 31 March 2002 recognizes that its conclusions about the performance of its Customs program are based largely on a qualitative assessment and that more work is needed to develop comprehensive performance indicators. Nevertheless, the Agency concluded that it had mostly met its anticipated results for its Customs program. The Agency plans to address the weaknesses in its Customs performance measures.

2.86 The Standing Committee on Public Accounts expects the Agency to develop a comprehensive performance measurement regime and to gather and use quantitative information to reinforce its management practices and accountability reporting. We agree with the Committee's expectations. While we recognize that this is a long-term project, we expect to see progress each year.

Conclusion and Recommendations

2.87 Overall, the Agency is making satisfactory progress in implementing the recommendations from our 2000 and 2001 audits of the Customs program. It has substantially implemented two of our recommendations. That is, it is now collecting and using advance passenger information and it is using a new system to better screen air travellers. However, there is still much to be done in several critical areas. These include integrating the risks of other government entities into Customs risk assessments, analyzing examination results to provide better information for targeting high-risk travellers and shipments, analyzing compliance verification results to identify high-risk areas of non-compliance, and ensuring customs officers get the training they need in a timely manner.

2.88 With respect to the Smart Border Declaration's 30-point Action Plan, the Agency has made good progress in implementing the initiatives for targeting in-transit marine shipments, implementing the NEXUS program for low-risk travellers, and sharing information on customs fraud with the United States. As well, some progress has been made to implement the other five initiatives in the Action Plan.

2.89 The Agency has appropriately planned (except in the area of accountability) how it will spend its $433 million share of the funding for the government's public security and anti-terrorism initiative. It has not systematically tracked its spending on these projects and will likely not be able to fully account for how the funds have been spent.

2.90 **Recommendation.** The Agency should complete the implementation of the recommendations from our 2000 and 2001 reports in a timely manner.

Agency's response. We agree with the Office of the Auditor General that we are making satisfactory progress in implementing the recommendations from the Office's 2000 and 2001 audits of our Customs program.

The Agency agrees with the recommendation and will continue to work on implementing the action plans that have been prepared to respond to the two audits under review.

The Agency has implemented NEXUS, advance passenger information/passenger name record, Free and Secure Trade (FAST), and the Customs Self Assessment program as alternative ways to process travellers and commercial shipments. CANPASS—Air will be implemented in the summer of 2003. The Agency plans to monitor the results of these initiatives in the next fiscal year.

2.91 **Recommendation.** The Agency should complete the implementation of the eight initiatives in the 30-point Action Plan for which Customs has the lead role, taking into account the observations made in this chapter.

Agency's response. The Agency agrees with the Office of the Auditor General that we are making good progress with respect to the Smart Border Declaration's 30-point Action Plan.

The Agency has made good progress in implementing the following initiatives: NEXUS Highway; NEXUS Air; advance passenger information/passenger name record; FAST; and in the exchange of trade data with the United States Bureau of Customs and Border Protection; in the marine benchmarking study, which has been completed; and in targeting in-transit marine containers. We will continue to work on these initiatives to ensure that border security is maintained and enhanced.

2.92 **Recommendation.** The Agency should track the spending and results achieved on the public security and anti-terrorism initiative.

Agency's response. We agree with the Office of the Auditor General that the Agency has appropriately planned how it will spend its $433 million share of the funding for the government's public security and anti-terrorism initiative.

The Agency agrees with this recommendation and will work toward keeping better track of Agency spending on the public security and anti-terrorism initiative. The Agency will improve the system in this regard.

About the Follow-Up

Objectives

To determine the progress the Canada Customs and Revenue Agency has made to address the recommendations we made in our April 2000 and December 2001 reports, and to implement the eight initiatives in the Smart Border Declaration's 30-point Action Plan for which Customs has the lead role.

To determine whether the Agency had appropriately planned how it will spend its $433 million portion of the $7.7 billion set aside in the 2001 Budget under the government's public security and anti-terrorism initiative.

Scope and approach

Our follow-up audit covered the recommendations and supporting observations in our 2000 Report, Chapter 5, Travellers to Canada: Managing the Risks at Ports of Entry and our 2001 Report, Chapter 8, Managing the Risks of Non-Compliance for Commercial Shipments Entering Canada. We also reviewed the eight initiatives in the Smart Border Declaration's 30-point Action Plan for which the Agency has the lead role and the Agency's plans for spending the $433 million it was allocated under the government's public security and anti-terrorism initiative.

We interviewed Agency officials in Ottawa and in selected ports of entry. We also analyzed data provided by the Agency, and conducted a statistical survey of customs officers working at ports of entry to obtain their opinions on training. Our survey estimates at the national level are accurate within plus or minus 6 percent, 19 times out of 20.

Criteria

We expected that the Canada Customs and Revenue Agency would have made satisfactory progress in implementing our recommendations.

The criteria from the 2000 and 2001 audits remain relevant. Therefore, we expected that Customs would have done the following:

- put in place risk assessment and targeting processes that effectively differentiate between low-risk and high-risk travellers and commercial shipments;
- appropriately planned and implemented its new initiatives in alternative ways to process travellers and commercial shipments, and monitored results to ensure that it is reaching its goals;
- put in place mechanisms and processes to ensure that it is appropriately managing risks arising from the responsibilities it carries out on behalf of other government entities;
- ensured that management and staff are able to acquire and maintain the knowledge and skills they need to fulfill their role in risk management;
- clearly stated its risk management strategy and established appropriate criteria to assess the risks associated with the movement of people and goods across the border;
- designed, implemented, and monitored a post-release verification regime to ensure compliance;
- measured and reported on the results of its traveller and commercial programs for purposes of accountability and continuous improvement; and
- designed an action plan for spending the public security and anti-terrorism funding that includes a needs analysis, expected results, resource requirements, risks, assumptions, and accountabilities for each project.

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Chapter

3

Citizenship and Immigration Canada

The Economic Component of the Canadian Immigration Program

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by the Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

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Citizenship and Immigration Canada
The Economic Component of the Canadian Immigration Program

Main Points

3.1 In our 2000 audit on the economic component of the Canadian Immigration Program, we noted serious problems in the management and delivery of the Program. Many of the issues we raised in that audit have been addressed by the new *Immigration and Refugee Protection* Act and the Immigration and Refugee Protection Regulations. As most of the provisions came into effect 28 June 2002, it is still too early to assess the impact of the new act and regulations on some of the issues.

3.2 Citizenship and Immigration Canada has taken a number of steps with regard to medical surveillance including establishing a Medical Surveillance Unit in a new Medical Services Branch. However, we are still concerned that the Department does not know what percentage of immigrants comply with medical surveillance requirements and within what time frame. It is important that the Department ensure that immigrants under medical surveillance report to the relevant public health authorities and thus comply with the conditions attached to their visas. We also identified a new issue—refugee claimants and public health authorities in the provinces and territories are not notified when a claimant requires medical surveillance for inactive tuberculosis.

3.3 Although the Department is developing a method and strategy for quality assurance, we observed that a department-wide quality assurance framework to monitor the quality of selection decisions for the economic component has not been implemented. This framework is essential to ensure the consistency, fairness, and integrity of selection decisions.

3.4 Many applicants apply to offices outside their country of residence, hoping that their wait will be shorter than in their own country. The new Immigration and Refugee Protection Regulations permit the Department to greatly reduce offshore processing. At the time of our field work, offices abroad were still accepting offshore applications. The Department has now issued instructions to offices abroad to implement the regulation dealing with offshore processing on 1 May 2003.

3.5 The Department has made progress in how it controls revenue. The Department has developed a new Permanent Resident Card; however, problems still exist with controls over visa forms. It has made progress in updating information technology and has strengthened the internal audit function.

3.6 The Department has made progress in improving its ability to determine inadmissibility for reasons of criminality and security.

3.7 The new act and regulations also address other issues we raised in 2000 by:

- barring applicants deemed inadmissible due to misrepresentation from re-applying for two years;
- defining "excessive demand" for health and social services; and
- allowing for application for non-disclosure of information during admissibility hearings, immigration appeals, and judicial reviews.

3.8 The new act addresses some other areas; for example, criteria and tools for selecting skilled worker and business immigrants, and initiatives to assist visa officers in determining whether documents are fraudulent. However it is too soon for us to assess the impact of the legislation on these areas.

3.9 In its reports to Parliament, the Department indicated that 137,119 skilled workers entered Canada in 2001. We are concerned that this information may be misunderstood. The information would be more clearly presented as 137,119 skilled workers, 58,860 of that number being principal applicants and 78,259 their dependants.

The Department has responded. Citizenship and Immigration Canada agrees with our recommendations and continues to act on recommendations from the 2000 audit that have not yet been fully implemented.

Introduction

3.10 In our 2000 Report we examined the economic component of the Canadian Immigration Program. The economic component consists mainly of skilled workers and business immigrants. Business immigrants consist of investors, entrepreneurs, and the self-employed.

3.11 The Program recruits highly qualified people who could adapt to our society and contribute to our economy. But the problems in the management and delivery of the Program that we noted in our Report limited Canada's ability to make the most of the economic and social benefits that immigration affords. They also limit Canada's ability to protect the integrity of the Immigration Program. This is our first follow-up to that Report.

3.12 Since we tabled that Report the government passed the *Immigration and Refugee Protection Act* and the Immigration and Refugee Protection Regulations. This was the first major overhaul of the *Immigration Act* in some 25 years. The Department's senior managers were very involved in the past few years with the preparation and passage of the new legislation. Following extensive consultations with Canadians, the Department prepared a document in 1999 that served as the basis for discussion with the provinces, federal partners, and Canadians. The Act was passed in the fall of 2001, with most provisions coming into effect on 28 June 2002.

3.13 On 31 December 2002 the Department had 91 service locations throughout the world to serve various geographic areas. For example, London is responsible for processing cases from the United Kingdom, Ireland, and the Nordic and Gulf countries. New Delhi is responsible for processing cases from India, Nepal, and Bhutan.

Focus of the follow-up

3.14 The objective of this follow-up was to determine what actions the Department has taken in response to the observations and recommendations made in our April 2000 Report on the economic component of the Canadian Immigration Program. We also audited medical surveillance procedures for refugee claimants in Canada. We reviewed two status reports prepared by the Department on actions it has taken or is planning. Further references in this chapter are to the second status report. Further details about the follow-up can be found in About the Follow-Up at the end of the chapter.

Observations and Recommendations

3.15 Many of the recommendations that we made in the 2000 Report have been dealt with by the new *Immigration and Refugee Protection Act* (IRPA) and its accompanying regulations (Exhibit 3.1). Each of these recommendations is discussed in more detail in the chapter.

3.16 **Immigration levels.** Citizenship and Immigration Canada is meeting its planned overall immigration levels (Exhibit 3.2). The Department has

developed a resource allocation model to identify the level of resources it requires to process applications in offices abroad. Immigration uses the model to estimate the number of visa officers it needs to meet its planned immigration levels.

Selection decisions

Selection criteria have been amended

3.17 In 2000 we recommended that selection criteria for choosing which economic immigrants Canada accepts be amended to make them more

Exhibit 3.1 Recommendations from our April 2000 audit that were dealt with by the new *Immigration and Refugee Protection Act* (IRPA) and its regulations

Issue	Recommendation	IRPA or regulations	Description
Selection criteria	The Department should amend selection criteria to make them conducive to rigorous selection and achievement of objectives.	Regulations 73–109	Criteria amended to allow for more objective assessment based on consistent standards, and the selection of immigrants based on ability to establish successfully in Canada
Selection tools	The Department should ensure that visa officers have the necessary tools and means to help them make their selection decisions efficiently and effectively.	Regulations 78 and 79	Education points awarded based on having both a credential and a minimum number of years of education and formal training Skilled workers' language proficiency assessed either by a designated third party organization or institution, or by other evidence submitted in writing
Misrepresentation	The Department should establish and implement a strategy to reduce to an acceptable and manageable level the risk that applicants will submit false statements or fraudulent documents.	IRPA sections 40(1) and 40(2)	Applicants deemed inadmissible because of misrepresentation cannot re-apply for a period of two years
Excessive demand	There is a need to define the term "excessive demand" to ensure compliance with the Act.	Regulation 1(1)	Excessive demand defined as needing more than the average Canadian per capita cost for health care over 5–10 years
Protection of information	The Department, with the RCMP and CSIS, should ensure that in determining admissibility, they have the tools to allow them to use information whose source or nature cannot be disclosed, while ensuring that applicants are treated fairly.	IRPA sections 76, 86, and 87	Minister may make application for non-disclosure of information during admissibility hearings, immigration appeals, and judicial reviews
Offshore processing	The Department should ensure that applications are processed in the offices that have the necessary skills to make informed and consistent decisions.	Regulation 11(1)	Application for a Permanent Resident Visa must be made to the immigration office that serves the country where the applicant has been residing for at least one year or the applicant's country of nationality or habitual residence

objective and in line with the Immigration Program's objectives. The Department stated that it was redesigning the selection system and the new model would shift from the current system that selects skilled workers based on their occupations to a system based on the workers' sound and transferable skill sets. Selection criteria have been amended in the new act (Appendix). At the time of our field work, the Department's experience using the new selection criteria was limited because the new act had only been in place several months. It is too soon for us to assess the impact of the new criteria on departmental operations.

Tools developed and training for visa officers improved

3.18 In the 2000 Report we noted that the lack of certain basic tools that would help visa officers in their decision-making hindered the efficiency and effectiveness of the Department's operations. For example, officers used their individual judgments to evaluate applicants' English or French. No tools existed to help officers readily assess education and employment training. Officers conducted their own research. They evaluated applicants' language skills, academic training, and work experience based on interviews—one of the most costly and time-consuming activities in the processing of applications.

3.19 In our 2000 audit we noted that the training of visa officers was insufficient in several respects. We recommended that the Department review its overall training strategy and ensure that all those responsible for immigration decisions receive appropriate training.

Exhibit 3.2 Planned immigration levels and landings of principal applicants and dependants

	2000		2001		2002
	Planned levels	Landings	Planned levels	Landings	Planned levels
Economic component					
Skilled workers	100,500–113,300	118,463	100,500–113,300	137,119	115,800–125,300
Business	15,000–16,000	13,655	15,000–16,000	14,579	12,000–13,000
Others*	5,400	4,496	5,400	4,102	3,200–4,300
Total economic component	**120,900–134,700**	**136,614**	**120,900–134,700**	**155,800**	**131,000–142,600**
Family	57,000–61,000	60,515	57,000–61,000	66,647	56,000–62,000
Refugees	22,100–29,300	26,747	22,100–29,300	26,530	23,000–30,400
Kosovo refugees and others	–	3,333	–	1,369	–
Total immigration	**200,000–225,000**	**227,209**	**200,000–225,000**	**250,346**	**210,000–235,000**

*Numbers from 2000 and 2001 have been restated to align with IRPA categories. Includes provincial and territorial nominees and live-in caregivers.

Source: Citizenship and Immigration Canada

Arranged employment: An offer of indeterminate employment in Canada

3.20 New selection tools developed. The Department has developed some new tools to assist officers assessing applications under the *Immigration and Refugee Protection Act*. In addition, the Regulations are designed to enable the visa officer to make an objective assessment. For example, the Act encourages economic applicants to submit a language test administered by a third party. If applicants do not submit this type of test result, then they must submit a written explanation and supporting documents to show evidence of their language ability. The Regulations state that Human Resources Development Canada can pre-approve arranged employment. The Regulations require officers to assess education based on standards that exist in the country of study. The standards consist of credentials and the number of years of education and formal training. At the time of our field work, the Department's experience using the new selection tools was limited because the new act had only been in place several months. The Department expects that these tools will help reduce the need for interviews to assess language skills and education.

3.21 Progress in training visa officers. The Department has spent a considerable amount of time and energy developing and improving training courses; for example, courses for local staff and courses on litigation management. Course evaluations that we reviewed indicated that courses were generally well received. The new act's implementation required an extensive, co-ordinated training effort by the Department. Staff at each office abroad were selected to become trainers. They trained at departmental headquarters in Canada and on return to their offices abroad trained the remaining staff and provided ongoing support. Other initiatives included new manuals available electronically, messages on procedures distributed electronically, an IRPA intranet site established, and two IRPA help desks established for several months: one for calls from locations in Canada; the other for calls from offices abroad. Many officers rated highly the training they received on the new act although most indicated they would need to re-familiarize themselves with the course material before starting the new processing of skilled workers, which would be several months later.

3.22 Satisfactory progress in litigation management. In some cases a judicial review by the Federal Court may direct Immigration to re-examine a refused application. Our previous audit noted an increase in such cases and the heavy demand on resources that resulted. The Department's status report noted several initiatives in this area.

3.23 The Department has placed more emphasis on managing litigation issues. Initiatives include litigation management newsletters, annual visa litigation reports, a guide to cross-examination for visa officers, and form letters for accepting and refusing applications. For litigation management training, initiatives include a revised course for visa officers and joint training with the Department of Justice. Citizenship and Immigration Canada's visa litigation reports for 2000 and 2001 indicate that judicial reviews have decreased slightly and the Department's success rate in Federal Court has increased slightly since our last audit.

3.24 Tools and training for assessing business immigrants' applications are being developed. Assessing business immigration applications requires a certain level of business knowledge and expertise. In 2001, 14,579 business immigrants, consisting of principal applicants and their dependants, landed in Canada. This is about nine per cent of the economic immigrants who landed that year.

3.25 The Department is developing a tool that third parties will use to assess the business performance of applicants. Visa officers could then use this assessment as part of their overall evaluation of the application. At the time of our audit this tool was not complete.

3.26 With the implementation of the *Immigration and Refugee Protection Act*, Business Immigration Centres no longer exist. All offices abroad now accept and process business applications. There is a need for training in this area, as most of the visa officers have little experience with business applications. There is no specific course for business applications but they are included as part of other courses. Course evaluations that we reviewed recommended expanding the section on business immigrants. Business application training was included as part of IRPA training and a new module was developed for the visa officer course given in the winter of 2003.

Medical inadmissibility and surveillance

3.27 Our 2000 Report had concerns about medical inadmissibility. The Internal Audit and Disclosures Branch at Citizenship and Immigration Canada is planning an audit of designated medical practitioners abroad; therefore, we did not follow up on that area. We limited our follow-up mainly to observations made in 2000 on medical surveillance in Canada.

3.28 The Department formed a Medical Services Branch in 2001 that unified the management of all areas of the Department that dealt with issues of medical admissibility and medical surveillance.

Excessive demand has been defined

3.29 We observed in our 2000 Report that the Department had been trying for more than 10 years to define the term "excessive demand." The new regulations define the term: an applicant is considered inadmissible if it might be reasonably expected that the applicant's health condition would cause excessive demand on Canadian health or social services, or if it would add to existing waiting lists and would increase the rate of mortality in Canada. When determining whether an applicant is likely to create excessive demand, the costs of anticipated health and social services for that applicant are compared against the average Canadian per capita health and social services costs for the next five years. If the applicant is likely to cost these services a significant amount for more than 5 years, then the Department will continue comparing costs up to 10 years.

Advice on medical testing and surveillance not yet received

3.30 Health Canada advises Citizenship and Immigration Canada on which diseases should come under mandatory surveillance. In 2001 and 2003 Health Canada advised the Department on issues related to HIV testing. In 2001 Health Canada advised the Department that immigrants should be

tested for HIV. At the same time, Health Canada advised the Department that it would provide advice soon on whether immigrants with hepatitis B require medical surveillance. In April 2002 the Department asked Health Canada whether long-staying visitors or visitors who work in close contact with Canadians should be tested for HIV. The Department also asked for Health Canada's recommended approach to hepatitis B for immigrants. That advice is still outstanding.

Medical surveillance of immigrants

3.31 Some immigrants are medically admissible to Canada even though their conditions present certain problems. In these cases, departmental physicians have found that while the applicants do not pose an immediate health threat to Canadians, they need to be kept under medical surveillance by the appropriate authorities once in Canada. Immigrants requiring medical surveillance must report to public health authorities within 30 days of arriving in Canada. Non-active tuberculosis and syphilis are the two diseases that require medical surveillance.

3.32 The Department's main role in the medical surveillance program is to provide information to public health authorities on immigrants requiring medical surveillance, including their date of arrival in Canada. In our 2000 Report we noted that we were seriously concerned about an internal review reported in October 1999. The review concluded that the Department did not know the percentage of immigrants that complies with medical surveillance requirements or whether provincial and territorial health authorities receive a complete list of immigrants who require medical surveillance.

3.33 The Department has taken several steps to improve medical surveillance. It has

- Established a Medical Surveillance Unit.
- Produced an instructional handout for immigrants about medical surveillance. The handouts are intended for all immigrants requiring medical surveillance.
- Standardized the medical surveillance form.
- Issued an operations memorandum on medical surveillance roles and responsibilities in February 2002 to key players, including those at visa offices and ports of entry, to encourage consistent procedures for surveillance notification.
- Worked with the provinces and territories and established a toll-free number in each province for immigrants.

3.34 **The need for compliance data.** The Department needs to know if immigrants requiring medical surveillance are complying with the requirement to report to public health authorities. It is working with provincial and territorial public health authorities to receive written confirmation if and when immigrants report to the authorities. To date, the timeliness and methods of written confirmation vary. The Department has not yet collected compliance data on the percentage of immigrants that

report to the authorities and within what timeframe, but is building a database for that purpose.

3.35 Our field visits indicated that immigration officers at airports were familiar with and understood the new instructions. However, some officers at land borders were not familiar with them or their importance. After our field visits, the Medical Surveillance Unit provided training to immigration officers at airports in Vancouver, Toronto, Edmonton, and Calgary and at Ontario land borders at Fort Erie, Niagara Falls, and Windsor.

Field Operations Support System: An online, real-time system that creates, stores, and retrieves immigration information within Canada. It automates processing and provides an electronic file system.

3.36 If the Department finds out that an immigrant is delinquent in reporting for medical surveillance, it takes no action apart from making a remark in the Field Operations Support System. The Department denies further actions such as citizenship or sponsorship until the immigrant resumes medical surveillance.

Medical surveillance of refugee claimants

3.37 **Lack of medical surveillance for cases of inactive tuberculosis among refugee claimants.** When refugee claimants arrive at Canadian ports of entry, they have not had a medical examination or medical assessment as have immigrants. As part of the initial processing of their claims, an immigration officer gives them a medical form and list of doctors by province and territory. The officer also instructs them to have a medical done by one of those doctors within a certain time. This time varies by region. For example, in Ontario the time is 60 days; in Quebec it is 5 days. The examining doctor sends the medical examination results to Immigration. At that time, Immigration does the medical assessment and decides whether medical surveillance is needed. The appropriate information is entered into the Field Operations Support System. However, Immigration does not notify the refugee claimant or the public health authorities in the provinces and territories that the claimant requires medical surveillance unless the claimant applies for a temporary work or study permit.

3.38 Refugee claimants are unaware that they have to report to public health authorities for medical surveillance if they have inactive tuberculosis. They are not under medical surveillance while their cases are in process at the Immigration and Refugee Board. This process took, on average, 10.4 months in 2001–02. If the Immigration and Refugee Board grants refugee status, the requirement for medical surveillance is passed on to the public health authorities as part of permanent resident status processing. If the Board denies refugee status, the public health authorities are not notified and yet the failed claimant may remain in Canada for several more months or years.

3.39 **Recommendation.** Citizenship and Immigration Canada should develop a mechanism to inform public health authorities about the requirement for medical surveillance involving cases of inactive tuberculosis among refugee claimants.

Department's response: The Department agrees with the recommendation. The Department is in the process of developing a mechanism for the

expedient referral of individuals in the refugee determination process who require public health surveillance for tuberculosis follow up. The mechanism will be implemented in consultation with Health Canada and the Canadian Tuberculosis Committee.

Criminality and security inadmissibility

3.40 Under sections 34 to 37 of the *Immigration and Refugee Protection Act*, visa officers can deny applicants entry into Canada on several grounds related to criminality and security.

3.41 Criminality checks consist mainly of examining the information that accompanies an application, which includes a police certificate from all countries where the applicant has lived for more than six months. Also the Department, in consultation with other organizations, has developed profiles to help identify individuals who might be associated with organized crime and war crimes. When an applicant matches a profile, visa officers can refer the case to the Department's Intelligence Branch. The Branch examines the files, investigates further, and provides advice to the visa officer responsible for processing the application.

3.42 The Department's offices abroad conduct security checks based on risk assessment. The Canadian Security Intelligence Service (CSIS) prepares profiles in co-operation with the Department. These profiles identify the types of people most likely to be inadmissible for engaging in espionage, subversion, or terrorism. Applicants who fit these profiles are referred to CSIS for a check. CSIS reports back to Citizenship and Immigration Canada whether it has concerns or not. The Service prepares a "no reportable trace" report if it has no adverse information on the applicant. The Service prepares an inadmissibility brief when it believes that the applicant is inadmissible as described in the *Immigration and Refugee Protection Act*. If CSIS believes that the applicant is admissible according to the Act but is or was involved in activities described in security provisions of the Act, it prepares an information brief. The Service prepares an "incidental letter" if it receives information on applicants that could make them inadmissible on matters that do not relate to security; for example, health concerns or crimes against humanity. CSIS forwards its reports, briefs, and letters to the Intelligence Branch, which follows up and advises visa officers.

3.43 In our 2000 audit we made several observations and recommendations on criminality and security. We were concerned about serious constraints on the use of certain information in judicial reviews, limited training, and 10-year-old, out-of-date procedural manuals for security reviews.

Progress in determining inadmissibility

3.44 **The Department has taken steps regarding criminality and security.** The new Intelligence Branch created in March 2002 defines its role in this area as providing information and expertise on intelligence management, security, terrorism, organized crime, modern war crimes, and irregular migration. The Branch brought together existing intelligence and case management resources at headquarters and provided a central point for sharing information with partners in the intelligence community.

3.45 Other accomplishments include the Royal Canadian Mounted Police (RCMP) and CSIS each signing a new memorandum of understanding with the Department. The RCMP memorandum covers items such as fingerprinting and screening, intelligence, and fraudulent documents. The CSIS memorandum describes the sharing of information between the two organizations. In addition, the *Immigration and Refugee Protection Act* contains sections that protect security and criminal intelligence that is obtained in confidence from foreign or Canadian sources, during admissibility hearings, immigration appeals, and judicial reviews.

3.46 The Department relies on CSIS to take the lead on identifying potential security threats. At the offices we visited, we found that security profiles were updated with information prepared by CSIS in co-operation with the Department. Officers were aware of the security profiles and were following departmental procedures for screening applicants. Citizenship and Immigration Canada is using the Modern War Crimes System, a new tool to help visa officers identify war criminals. However, the manual on security screening has not been revised.

Fraudulent documents

3.47 Submitting documents is an important aspect of the immigration process. Documents provide, for example, proof of job experience, language proficiency, education, birth, and marriage. Submission of fraudulent documents and misrepresentation is a continuing threat to the integrity of the Immigration Program. In many countries people can easily obtain fraudulent documents and readily use them as support for immigration applications.

3.48 Verifying the authenticity of local documents and documents from other countries requires time and expertise. Our 2000 Report stated that the Department had noted an increase in the submission of false statements and fraudulent documents. We said the Department had been tolerant of applications accompanied by false statements and fraudulent documents. The Report recommended that the Department establish and put into effect a strategy to reduce the risk that applicants will submit false statements or fraudulent documents to an acceptable and manageable level.

New measures assist in the identification of fraudulent documents

3.49 In 2002 the Department put into place the following measures:

- Implementation of the *Immigration and Refugee Protection Act*. The Act prohibits certain individuals from re-applying within two years of being denied due to misrepresentation.
- Establishment of the Intelligence Branch. The Branch is responsible for immigration control officer activities. The Branch also co-ordinates and disseminates fraudulent document information.
- Expansion of the immigration control officer network and development of a new work description that includes providing leadership and guidance for the identification of fraudulent visa application documents. Immigration control officers are now called migration integrity officers.

- Revision of the memorandum of understanding between Citizenship and Immigration Canada and the RCMP (paragraph 3.45). The memorandum, signed in December 2002, clarifies roles and responsibilities between the two organizations. It also outlines responsibilities for fraudulent travel documents and for investigations and referrals prosecuted in Canada.

These initiatives should help the Department to manage the problem of fraudulent documents; however, it is too soon for us to assess their impact on departmental operations.

A need for guidance and to share knowledge

3.50 We noted that some staff abroad are unclear about their legal right to seize documents. There is no policy guidance for officers on seizing documents and the procedures for seizing documents vary among offices.

3.51 Most offices abroad have experience in detecting fraudulent application documents. The offices we visited had collections of documents and, on their own initiatives, had built separate bases of knowledge. But they were not systematically sharing the knowledge among offices that might have benefited from it. For example, offices processing a lot of offshore cases had no system to access the experience of other offices. We heard a clear and consistent message at all offices we visited that processed offshore applications. They said that officers need a way to share knowledge and require further training in the detection of fraudulent application documents.

Quality assurance

3.52 In the 2000 Report we recommended that the Department adopt a quality assurance framework to ensure consistency in decision-making and in the fairness and integrity of the Immigration Program. We observed that the quality of decisions was not monitored sufficiently, and that monitoring activities varied considerably from one office to another.

Testing centralized processing

3.53 In its status reports, the Department identified the "centralized processing pilot" as the main way to test its method of quality assurance. One objective of the pilot was to test whether it was more efficient to process skilled worker applications at one central location or at a network of offices abroad. Applications that would have been processed in London, Hong Kong, and New Delhi were processed centrally in Ottawa. If officers did not need to interview the applicant, the case was finalized in Ottawa. If officers needed to interview the applicant or the applicant was refused, the application was finalized abroad. A sample of files processed in Ottawa was sent to the responsible office abroad for a quality assurance review. The pilot ran from December 2000 to August 2001.

3.54 Another objective of the pilot was to develop and evaluate a method for quality assurance for skilled worker applications that could be used at offices abroad. The method addressed the following elements: quality of decision-making, detection of fraud and misrepresentation, fairness of procedures, and efficiency. Each office abroad had a quality assurance officer

who reviewed a random sample of files previously processed in Ottawa and a random sample of files processed at the office abroad. The method used four instruments: file review of initial assessments, interviews with applicants who previously had their immigration interviews waived, site visits or telephone calls, and file reviews of final decisions. The quality assurance officer also reviewed the documents in the file and the visa officer's use of the Department's information technology systems.

3.55 The pilot results showed that there were no gains in times or productivity from centrally processing skilled worker applications. The results also showed that the quality of decisions was lower overall for applications processed centrally. The most likely explanation, according to the Department, was the lower level of local knowledge at the central processing site. The results showed better client service for applications processed in Canada. However, those results were based on a very small sample size and it was noted that they should be treated with caution.

Digitally imaged files: Files made up of documents that have been scanned and stored in a computer database making them accessible to Immigration officials in various locations.

3.56 During the pilot the Department tested using digitally imaged files for visa applications. Although initial costs to prepare these files were higher than paper files, the rest of the file processing showed significant benefits.

3.57 The Department's assessment of the pilot suggested that it explore processing files at a central location at the beginning and end of the process. Visa officers abroad would continue to decide whether to accept or refuse applications. It also suggested that this option be considered in the development of the Department's new Global Case Management System.

Initiatives at offices abroad

3.58 Although the Department has not decided on the specifics of a quality assurance framework, it has been discussed at Immigration Program managers' conferences and initiatives have been taken at some offices abroad. For instance, the immigration office in Hong Kong has a quality assurance unit of five staff. Its primary task is to examine immigration application documents to detect whether they are fraudulent. The Hong Kong office has determined that the rate of fraudulent application documents is at least 25 percent but could be as high as 50 percent. The Department has also advised us that the Beijing immigration office has done quality assurance reviews on language test results and on economic immigrant applications for which an interview had been waived. In addition, the Department has created three new anti-fraud positions in offices abroad.

Immigration is deciding how to proceed with its strategy

3.59 The Department wrote a draft document, *Anti-Fraud Quality Assurance Strategy*. It is based on risk management and uses targeted and randomly selected application files. The strategy consists of

- finding and analyzing fraudulent information to improve detection of fraud and misrepresentation;
- providing feedback to the front line; and

- assessing, through a quality assurance program, the quality and consistency of decisions to accept or refuse applicants.

The strategy discusses the creation of a new position, anti-fraud officer, in its offices abroad. This officer would conduct a quality assurance program and anti-fraud efforts. For the quality assurance program, the officer would, using a random sample of files, review files, conduct interviews and telephone verifications, and visit sites. For the anti-fraud program, the officer would verify documents with issuers, confer regularly with large document issuers, analyze and report on findings, and conduct staff training. The Department is deciding how to proceed with quality assurance and anti-fraud efforts.

The need for a department-wide framework

3.60 Limited progress in implementing a department-wide framework to monitor quality of selection decisions. The Department is developing a method and strategy for quality assurance for the economic component but has not given specific guidance to the offices abroad, although it has requested officers to conduct the anti-fraud work. As a result there is no consistency for quality assurance efforts at offices abroad and, at the offices we visited, most are doing little.

Offshore processing

3.61 An offshore application is one that an applicant submits to an office abroad that does not have responsibility for the applicant's country of residence. For example, a resident of Pakistan applies in London, England. At the time of our last audit, 48 percent of all economic immigrant applications were made offshore.

3.62 We found several problems with this in our 2000 audit. First, offshore applications lowered the quality and consistency of decisions. Second, we noted that offshore applications meant a heavier workload for staff in offices abroad. The applications took longer to assess and required interviews more often. We recommended that the Department take action to ensure that applications are processed in the offices that have the skills to make informed and consistent decisions efficiently.

3.63 At the time of our field work the situation remained unchanged. Visa officers who process offshore applications at the offices we visited continue to find that offshore applications require extra processing time because they need to conduct interviews in almost all cases. These applications require a significant amount of research on the part of the officers and the Department considers them a higher risk for fraud than other applications. Offshore applications by economic immigrants represented 26 percent of applications in 2001. The decrease from 48 percent at the time of our last audit is due in large part to the Department re-classifying some applications from the People's Republic of China. The Department previously had classified them as offshore applications.

Implementing a new regulation

3.64 The new Immigration and Refugee Protection Regulations contain a regulation that would greatly reduce offshore processing when put in place.

The regulation requires that applications be made to the Citizenship and Immigration Canada office that serves the country where the applicant has lawfully resided for at least one year or to the office that serves the applicant's country of nationality.

3.65 The Department decided to implement the regulation over a transition period. It issued a draft operations memorandum on 13 June 2002 to staff that all full-service missions would, for the transition period (which was expected to be until 1 January 2003), be defined as immigration offices that serve all applicants regardless of country of nationality. The Department amended its overseas processing manual to state that all visa offices should continue accepting offshore applications until directed to do otherwise. As a result, at the time of our field work, problems with offshore processing continued.

3.66 **Implementation on 1 May 2003.** The Department notified immigration offices abroad on 1 April 2003 that the implementation date for the regulation is 1 May 2003 and provided them with updated sections of the overseas processing manual. After that date applications for permanent residence must be submitted according to the regulation. The manual describes the regulation and provides guidelines for determining residence and nationality.

Information technology

3.67 In our 2000 Report we noted that outdated technology in offices abroad was a serious obstacle to improving the activities and performance of employees. We noted that numerous efforts to upgrade the systems had failed. In the meantime, offices abroad were buried in paperwork. It was crucial for the Department to identify opportunities for improvement. The Department was planning an investment of about $194 million in a new system, the Global Case Management System, and was expecting completion of the System in five years. We recommended that the Department review its systems and practices to find ways to maximize the efficiency of its operations and the use of its resources.

Use of technology has improved

3.68 The Department has addressed some of the problems outlined in our 2000 Report by completing several initiatives. These include

- access by offices abroad to the Field Operations Support System, the domestic case-processing system;
- access by many ports of entry and offices in Canada to the Computer Assisted Immigration Processing System, although we noted that some immigration officers do not know how to use the system; and
- access by all visa offices abroad to the Computer Assisted Immigration Processing System.

Computer Assisted Immigration Processing System: An information technology system the Department uses abroad to process immigration applications and issue visas. A link to the Field Operations Support System allows it to share information with that system.

3.69 The Department continues to develop the Global Case Management System to replace the aging systems that Citizenship and Immigration Canada has in offices in Canada and abroad. The Department has rated the project as high risk due to its size, nature, and complexity. In March 2003 a contractor was selected; however, implementation is behind schedule because of delays in the selection process.

Revenue control

3.70 In 2001–02, the Department collected $451 million in fees for processing immigrant and visitor applications and for granting rights for permanent residents to land in Canada. The Department estimates that nearly 63 percent of these fees, about $284 million, were collected at offices abroad.

3.71 Our 2000 Report noted significant weaknesses in revenue control, including the Department's inability to reconcile accounts and the lack of linked computer systems for recording cash receipts and issuing visas. A number of visa officers said they lacked the skills to do their job. Internal auditors found there was a need for direction from the Department's headquarters on revenue control. We found a lack of systematic monitoring of revenue collection activities and a great variation from office to office in how rigorously controls were applied. We also noted the need for an appropriate framework for, and management of, revenue control and more internal audits.

3.72 Citizenship and Immigration Canada and the Department of Foreign Affairs and International Trade (DFAIT) share responsibilities for immigration revenue control at missions abroad. Generally, Citizenship and Immigration Canada staff collect fees from applicants, issue receipts, and record the fees in the cash receipt system. Immigration then turns the funds and a summary over to DFAIT for accounting purposes and deposit in a financial institution. In some locations applicants pay fees at a local financial institution. In these cases, immigration staff record the bank receipts in the cash receipt system and turn the summary over to DFAIT for accounting purposes. Immigration cost recovery officers oversee Immigration's procedures. Immigration establishes policies and procedures for its responsibilities and gives direction to cost recovery officers. A 1992 memorandum of understanding between the two departments indicates that DFAIT is responsible for immigration cost recovery functions; more specifically, for providing accounting services, including cash receipt and deposit facilities.

The Department has made progress in revenue control

3.73 Since the 2000 Report, the Department has continued to implement a cash receipt system which is now installed in 71 missions. The missions we visited all had the latest version of the software and guide for the system.

3.74 The cash receipt system is not linked to the Computer Assisted Immigration Processing System, the system used to process immigration applications and issue visas. The Department cannot reconcile accounts; that is, verify that the number of files processed and visas issued corresponds to the fees collected. The Department has advised us that it will build this ability into the new Global Case Management System. In addition, in July 2001 the Department and DFAIT issued a joint message to missions on cost recovery outlining current procedures and new procedures to improve controls. Because cash receipt and accounting for it are areas of high risk and vulnerable to manipulation, it is important that the departments follow up to ensure that these procedures are followed.

3.75 The examination of other banking options by Immigration and DFAIT is ongoing. The Department is working on guidelines that missions can use when researching alternate banking arrangements. However, these are not complete and were not included in the new draft cost recovery manual that the Department is working on. There are 27 missions with banking arrangements that enable applicants to pay immigration fees at a financial institution.

3.76 The Department, DFAIT, and other partners began pilot projects in two locations abroad using credit cards to pay for some immigration fees. These pilots were scheduled to end in April and July, 2003. Departmental comments indicate that the pilots were not successful and the departments are looking at other payment options that would still use credit cards.

Tools and training are still a concern

3.77 While the Department is working on a new cost recovery manual for missions abroad, the new manual is about two years behind schedule. The offices we visited had different versions of a cost recovery manual with the exception of one office which had no manual.

3.78 The Department has added modules on risk management, malfeasance, and cost recovery to the Immigration Program manager's course. It has also provided tools to assess program integrity and identify risks and a kit to use on arrival at missions with which to conduct a cost recovery audit. The basic visa officer's course includes a module on cost recovery and, in the winter of 2003, a module on the cash receipt system was added. Modules on ethics and malfeasance have been added to courses for local staff. The Department of Foreign Affairs and International Trade has developed and delivered a fraud awareness course at missions. However we are still concerned about the training of officers at some offices abroad. Cost recovery officers at some of the offices we visited said they have not had sufficient training in revenue matters and would appreciate that training and an up-to-date cost recovery manual.

Forms control

3.79 Visa forms control is an essential measure to guard against abuse. In the 2000 Report we had several concerns. We found that the Immigration Visa and Record of Landing document (IMM1000) was outdated and easy to falsify. In addition, departmental records showed that some visas had been stolen and that procedures were not in place to ensure that officers consistently applied controls.

The new Permanent Resident Card

3.80 The Department replaced the IMM1000 as of 28 June 2002. A new form, the Confirmation of Permanent Residence (IMM5292) confirms the residence status of new immigrants. It is used to issue the new Permanent Resident Card. This card has a number of security features that the IMM1000 did not have. Another new form, the Permanent Resident Visa (IMM1346), is included in an individual's passport as a travel document.

Problems still exist with forms control

3.81 We found several problems with forms control during our visits to immigration offices abroad. Officers were not always following the required control procedures. Three examples: some offices were not reporting quarterly inventories of documents to headquarters; one office was not reconciling on a daily basis visas that were used; and not all offices had two Canadian officers present when counting inventories of forms.

3.82 One Canada-based officer is selected at each office abroad to be a forms control officer. Most forms control officers at the offices we visited felt that they needed training and guidance for their position. To address this need, the Department has developed new instructions on forms control and these are available electronically.

Internal audit

3.83 We were concerned in 2000 that the resources allocated to internal audit activities were cut significantly during a reorganization of the Department, and again as a result of Program Review. We recommended strengthening the role of internal audit throughout the organization. This has now been done. The Department established the Internal Audit and Disclosures Branch in 2002, hired a director general, and assigned additional resources.

Measuring results and reporting to Parliament

3.84 In our 2000 Report we were concerned that the Department's performance indicators and its reports to Parliament on skilled workers and business immigrants were focussed primarily on meeting immigration levels. We also noted that the Department needed better information on the use of resources and on the quality and uniformity of selection and admissibility decisions.

Information for Parliament is incomplete

3.85 **Performance indicators and reports to Parliament remain focussed on immigration levels.** The Department does have other information on the economic component readily available that could be reported to Parliament; for example, number of applications on hand and processing times for applications. In our view this is important information that needs to be reported to Parliament.

3.86 The Department reports annually to Parliament in its departmental performance report. It also presents an annual report to Parliament on the operation of the *Immigration and Refugee Protection Act* for the preceding calendar year as required by section 94 of the Act. We reviewed several years' worth of departmental performance reports and the 2002 Annual Report to Parliament on Immigration. We are concerned that the information presented to Parliament on the number of skilled workers entering Canada may be misunderstood. For example, the 2002 Departmental Performance Report states that the number of skilled workers landed in Canada in 2001 is 137,119. The information would be more clearly presented as 137,119 skilled workers, consisting of 58,860 principal applicants and 78,259 dependants. The 2002 Annual Report to Parliament on Immigration also did not provide

the composition of skilled workers. We have the same concern for the presentation of the numbers of business immigrants. We noted that the information does exist in a document, Facts and Figures 2001, which can be found on the Department's Web site. www.cic.gc.ca/english/pub/facts2001/index.html

3.87 **Recommendation.** The Department should include additional information in its departmental performance report, such as the number of applications on hand and processing times for applications. In that report and in its annual report to Parliament on immigration, the Department should give the numbers of both principal applicants and accompanying family members.

Department's response: The Department agrees. In its departmental performance report and its annual report to Parliament on immigration, the Department will include additional information regarding the composition of the skilled worker and business immigrant classes, as well as inventory levels and processing times.

Conclusion

3.88 The Department has acted on many of the observations and recommendations made in our April 2000 Report, Chapter 3, The Economic Component of the Canadian Immigration Program. Many of the recommendations that we made in that Report have been addressed in the new *Immigration and Refugee Protection Act* and its regulations. It is too soon after the implementation of IRPA for us to reach a conclusion on the impact of the new criteria and tools for selecting skilled worker and business immigrants. The new fraudulent document initiatives should help address problems noted in our 2000 audit.

3.89 Greater attention needs to be paid to medical surveillance of immigrants and refugee claimants to ensure that public health authorities are notified promptly of individuals that require surveillance. The Department still has to put into place a department-wide quality assurance framework to ensure the consistency, fairness, and integrity of selection decisions.

About the Follow-up

Objective

The objective of this follow-up was to assess the extent of Citizenship and Immigration Canada's actions to address recommendations in our April 2000 audit.

Scope and Approach

This follow-up focussed on the recommendations made in our 2000 Report, Chapter 3, The Economic Component of the Canadian Immigration Program. We also looked at medical surveillance of refugee claimants. We did not look at controls over medical admissibility at offices abroad. We reviewed two status reports by the Department on the action it has taken in response to our recommendations. We interviewed staff at Citizenship and Immigration Canada, the Canadian Security Intelligence Service, and the Royal Canadian Mounted Police. We met with immigration staff at national headquarters and in five regions in Canada. We visited nine offices in other countries: Accra, Guatemala City, Hong Kong, London, Manila, New Delhi, New York, Singapore, and Vienna. We visited 14 ports of entry including airports, land border crossings, and marine ports. We interviewed staff, reviewed files and management reports, and analyzed data.

Criteria

We expected that Citizenship and Immigration Canada would have made satisfactory progress in putting in place our recommendations.

The criteria from the 2000 audit remain relevant. Therefore we expected to find the following:

- roles and responsibilities within the federal government that would facilitate efficient and effective management of the Canadian Immigration Program;
- organization of activities and allocation of resources to take into account existing risks and to encourage reaching immigration levels in an economical and efficient way while maintaining the Program's integrity;
- objectives of the economic component to be clearly set out and the selection criteria helpful in meeting those objectives;
- mechanisms in place to ensure the quality of decisions and the Program's integrity;
- a control framework to protect the main assets;
- management practices to make it possible to monitor the Department's performance carefully; and
- information intended for Parliament to be relevant, reliable, and complete.

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Appendix Selection criteria for immigrants in the economic component

Section 12 of the *Immigration and Refugee Protection Act* provides that foreign nationals may be selected as members of the economic component based on their ability to become economically established in Canada. The economic component is made up mainly of two streams: skilled workers and business immigrants. The Minister decides and makes available to the public the minimum number of points required for the establishment of the economic applicant in Canada. The province of Quebec sets its own selection criteria for immigrants under the economic component.

Skilled workers

Initially, skilled workers are assessed against certain minimal employment experience requirements. If these requirements are not met, the application is refused. Otherwise they are assessed against the following selection criteria and must receive a minimum of 75 points.

Selection criteria	Maximum points awarded
Education	25
Official language proficiency	24
Experience	21
Age	10
Arranged employment	10
Adaptability	10

Skilled workers must also have a certain amount of available funds or arranged employment.

Business immigrants

Business immigrants are selected to support the development of a strong and prosperous Canadian economy in which the benefits of immigration are shared across all regions in Canada. Members of the business immigrant class include investors, entrepreneurs, and the self-employed. During the selection process, officers first assess whether the applicant meets the definition of investor, entrepreneur, or self-employed. If not met, the application is refused. Otherwise officers assess the applicant using a point system based on selection criteria that measure the applicant's capacity to get established successfully.

Investors

The definition states that investors must demonstrate business experience, which includes two options:

- management and control of a qualifying business of sufficient size; or
- management of a business, or a portion of a business (without the need to own it), with at least five employees.

Investors must also have a legally obtained minimum net worth of $800,000 and make an investment of $400,000. Investors must deposit CAN$400,000 with the Receiver General for Canada before a visa can be issued. Subsequently, the funds will be distributed to the provincial funds for investment. After five years, the provincial funds will repay Citizenship and Immigration Canada for subsequent payment to the investors. The participating provinces will continue to be responsible for guaranteeing the payment of their respective shares.

Entrepreneurs

Entrepreneurs must demonstrate business experience consisting of management and control of a qualifying business of sufficient size. Entrepreneurs will be required to document that, for a period of at least one year, within a period of not more than three years after landing, they owned and managed a qualifying Canadian business that meets any two of the defined requirements for jobs, sales, net income, and equity.

Self-employed

Self-employed people must have the intention and ability to create their own employment and make a significant contribution to the cultural or athletic life of Canada, or to create their own employment by purchasing and managing a farm in Canada. Immigrants who have been self-employed in cultural activities or in athletics, or have participated at a world class level in cultural activities or in athletics, or have farm management experience are eligible within the class.

Business immigrants will be evaluated against the following grid and must receive a minimum of 35 points:

Selection criteria	Maximum points awarded
Business experience (investors or entrepreneurs), or relevant experience (self-employed)	35
Age	10
Education	25
Official language proficiency	24
Adaptability	6

Source: Citizenship and Immigration Canada

Chapter

4

Correctional Service Canada
Reintegration of Male Offenders

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by the Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

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Correctional Service Canada
Reintegration of Male Offenders

Main Points

4.1 Correctional Service Canada has substantially implemented many of the recommendations we made in our 1999 audit. It has made more time available for offenders to participate in needed programs while incarcerated. It has improved the quality of the reports it prepares for the National Parole Board to decide whether an offender should be released conditionally into the community. In the community, the Service has made a significant improvement in meeting its standards for frequency of contact with offenders on parole. Senior management commitment and leadership have been important in achieving these results.

4.2 In two areas that are critical to reintegrating offenders effectively, however, Correctional Service has been slow to address our recommendations of previous audits. Not enough programs are available to offenders in the community to meet the need. The Service has made little progress in implementing key aspects of its approved national strategy for providing offenders with appropriate employment programs.

4.3 We found three other important areas that need attention where we did not make a recommendation in 1999:

- The Service has not fully tested the inter-rater reliability of the tools it uses to assess an offender's needs and the risk he presents.
- Parole officers are critical to the successful reintegration of offenders, but the level and quality of their training is weak.
- Turnover among parole officers appears high, with a potential impact on offender reintegration operations.

4.4 Since 1994, we have conducted five audits that examined various practices for reintegrating male offenders into the community, a vital part of the Service's mandate. In our two most recent audits we have reviewed the same areas to determine how much progress the Service has made on addressing our previous recommendations. The audit reported here looks specifically at how Correctional Service has acted on our 1999 recommendations.

4.5 In 1999 we recommended that the Service improve its timeliness in acquiring official documents needed to assess offenders when they enter institutions. We said it needed to be more efficient in preparing casework to meet the offender's first date of eligibility for parole. It needed to clarify and implement a strategy for employment programs geared to reintegrating offenders. And we said it should improve the quality of its reports that the

National Parole Board uses to grant the conditional release of offenders into the community. We also noted the need for better adherence to national standards for frequency of contact with offenders in the community.

Correctional Service Canada has responded. Correctional Service has generally accepted our recommendations. Its responses indicate what it is doing or plans to do to address them.

Introduction

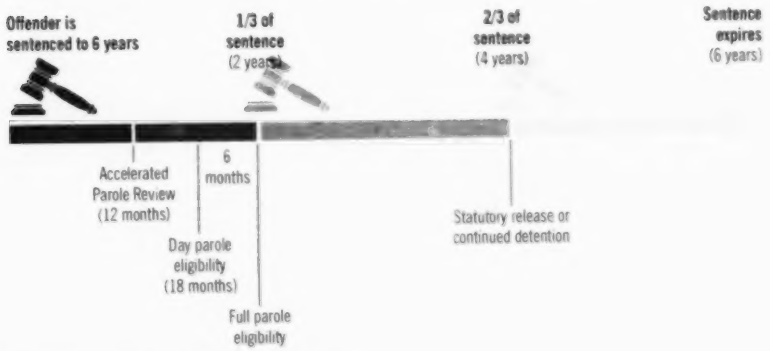
4.6 Correctional Service Canada has two main responsibilities: the incarceration of offenders and their safe reintegration into the community. The Service spent $492 million on reintegration activities in 2001–02—about 33 percent of its total spending, roughly the same proportion it spent on reintegration in 1997–98.

4.7 The *Corrections and Conditional Release Act* says that the purpose of conditional release is to contribute to public safety by releasing offenders at a time and in a manner that increases their chances of successfully reintegrating into the community. The Act gives the National Parole Board authority to grant the conditional release of offenders on full parole when they have served one third of their sentence. Offenders become eligible for day parole six months before the date of their eligibility for full parole (Exhibit 4.1). Under Accelerated Parole Review, offenders who are serving their first federal sentence and were not convicted of a violent crime or serious drug offence can be released on day parole after serving one sixth of their sentence, unless there are reasonable grounds to believe they will commit a violent offence before their sentence ends.

4.8 After serving two thirds of their sentence, most offenders who have not been paroled are entitled by law to be released into the community (statutory release), where their supervision continues until the sentence expires. In a small number of cases, Correctional Service will recommend to the National Parole Board that an offender be kept in prison until the end of his sentence. The Board detains an offender when it is likely that, if released before his sentence ended, he would commit an offence involving death or serious harm, a sexual offence against a child, or a serious drug offence.

4.9 Most offenders under supervision in the community are subject to conditions such as refraining from the use of alcohol and from associating with criminals. If an offender breaches any of these conditions and the

Exhibit 4.1 Milestones in a fixed-term sentence of six years


Offender is sentenced to 6 years
1/3 of sentence (2 years)
2/3 of sentence (4 years)
Sentence expires (6 years)
Accelerated Parole Review (12 months)
6 months
Day parole eligibility (18 months)
Full parole eligibility
Statutory release or continued detention

Source: *Corrections and Conditional Release Act*

supervising parole officer feels that the risk to the community has been raised to an unacceptable level, the National Parole Board may revoke the offender's parole and have him returned to prison.

The process for reintegrating male offenders

4.10 Correctional Service uses a case management process to manage the reintegration of offenders. The process has a number of stages that include the following:

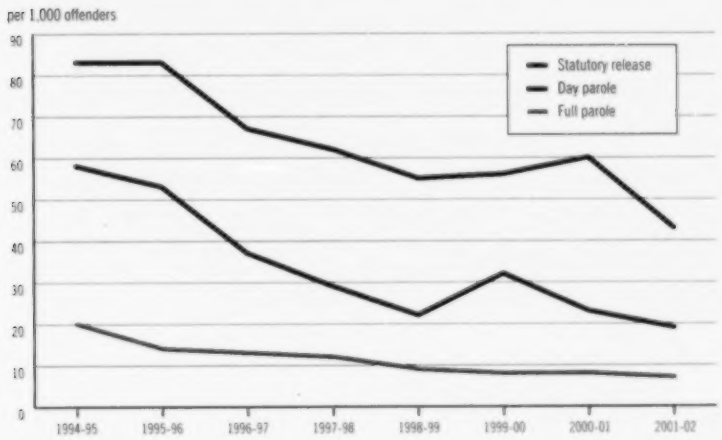
- obtaining official documents required for assessing the security risk and the needs of each offender;
- assessing the offender to identify the factors that led to his criminal behaviour and developing a correctional plan to address those factors;
- assigning and scheduling the offender to participate in reintegration programs and other interventions to prepare him for release hearings before the National Parole Board;
- assessing whether participating in programs and other interventions has helped reduce the risk that the offender will commit another offence after being released;
- making recommendations to the National Parole Board on the offender's suitability for conditional release into the community;
- releasing the offender—on parole by the National Parole Board or, by law, after two thirds of the sentence (statutory release), or at the end of the sentence (warrant expiry);
- providing supervision, further programs, and assessment in the community until the end of the sentence; and
- reporting to the National Parole Board if an offender in the community presents an elevated risk that warrants a review by the Board.

Trends in the offender population

4.11 The number of male offenders in federal correctional institutions and under supervision in the community has declined over the last few years, while the split between the two groups has remained fairly constant at 60 percent and 40 percent respectively (Appendix). A total of about 500 fewer offenders were admitted to federal prison in 2001–02 than in 1997–98, and the total number of releases declined by about 1,000 during the same period. As we reported in 1999, offenders continue to be released at a later point in their sentences—as illustrated by the growing proportion of releases that are statutory releases.

4.12 National Parole Board data covering the period 1994–95 to 2001–02 indicate that the conviction rate for violent offences by offenders supervised in the community appears to have declined. Exhibit 4.2 outlines this decline among offenders on day parole, full parole, and statutory release.

Exhibit 4.2 Conviction rates for violent offences by supervised offenders*



*Supervised offenders includes offenders on parole or statutory release, temporarily detained in a federal penitentiary, or unlawfully at large.

Source: National Parole Board Performance Monitoring Report 2001-2002 — July 2002

Focus of the follow-up

4.13 The purpose of this follow-up audit was to assess the extent to which Correctional Service Canada has acted on recommendations made in Chapter 1 of our 1999 Report. In 1994 and 1996 we had reviewed all aspects of the reintegration process, from the admission of offenders into federal institutions to their supervision in the community after release.

4.14 We reported in 1999 that while the Service had made a concerted effort to respond to previous observations, it still needed to make the following improvements:

- more timely acquisition of official documents for initial assessment of offenders;
- more timely casework preparation to meet the offender's first parole date;
- a clear operational strategy for offender employment programs;
- better quality of reports to the National Parole Board to grant the conditional release of offenders into the community; and
- improved adherence to national standards for frequency of contact with offenders in the community.

4.15 Some quantitative information in this chapter is based on data provided by Correctional Service. We have attempted to assess these data through a process of analysis, comparison, and discussion. Unless otherwise indicated in this chapter, these data should be treated as unaudited.

4.16 Further details on our audit objective and criteria are presented in the About the Follow-up at the end of the chapter. As in our previous audits, this audit did not include issues specific to Aboriginal offenders.

Observations and Recommendations

Assessing offenders at intake

4.17 The first step in managing an offender's case is the intake assessment process, which determines the appropriate level of security for the offender. A correctional plan is also prepared, outlining the factors that led to the offender's criminal behaviour and the programs he will need to address them. The Service must complete the correctional plan as soon as possible after the offender enters federal custody; late completion leaves little time for offenders serving short terms to participate in the programs they need to become eligible for release.

Inter-rater reliability of assessment tools needs more testing

4.18 The Custody Rating Scale is the assessment tool used to determine what level of security an incoming offender warrants. If an instrument has a high inter-rater reliability, different parole officers assessing the same offender will likely assign him to the same security level. If its reliability is relatively low, different parole officers will probably assign the same offender to different security levels. Assigning an offender to a higher level than necessary can reduce opportunities for him to participate in reintegration programs. It also increases the cost of incarceration.

4.19 In 1999, we found that Correctional Service had adequately verified that the Custody Rating Scale was scientifically valid for assessing male offenders; however, it had not thoroughly tested its inter-rater reliability. The use of an unreliable instrument could call into question the testing of its validity.

4.20 As part of its ongoing research activities, the Service recently undertook a preliminary test of the Custody Rating Scale's inter-rater reliability among a small number of parole officers. Initial results showed that about 25 percent of the officers assigned higher security levels to the same offender. Given the potential impact of a problem with inter-rater reliability, these preliminary test results are a concern and reaffirm that the Service needs to do further work.

4.21 Our follow-up found that Correctional Service has yet to complete a full test of its Custody Rating Scale for its inter-rater reliability in classifying male offenders. Periodic ongoing tests of inter-rater reliability are required to assess the adequacy of the way the tool is applied, the current training given to those using it, and controls on the quality of its results.

4.22 **Recommendation.** Correctional Service Canada should fully test the inter-rater reliability of the tools it uses to assess male offenders at intake and should take the necessary action indicated by test results.

Correctional Service's response. Correctional Service Canada's research confirms the predictive validity of the assessment tools it uses. The Service accepts the suggestion that additional research should be done on inter-rater reliability and this is included in the 2003–2004 Research Plan.

Timely preparation of offenders' correctional plans is still a challenge

4.23 In the past, our Office has examined the completion of the offender's correctional plan from two perspectives: timely acquisition of documents required to assess the offender and the amount of time needed to analyze this information and complete the correctional plan.

4.24 The Service must gather information on the offender and the offence from its own records and from outside agencies. Its policy requires that it have three documents available to assess the offender's risk and needs: the offender's criminal history (for example, police reports); an official version of the offence (for example, the judge's comments); and the Post-Sentence Community Assessment (prepared by community parole officers). All official documents are needed far enough in advance to prepare the offender's correctional plan on time.

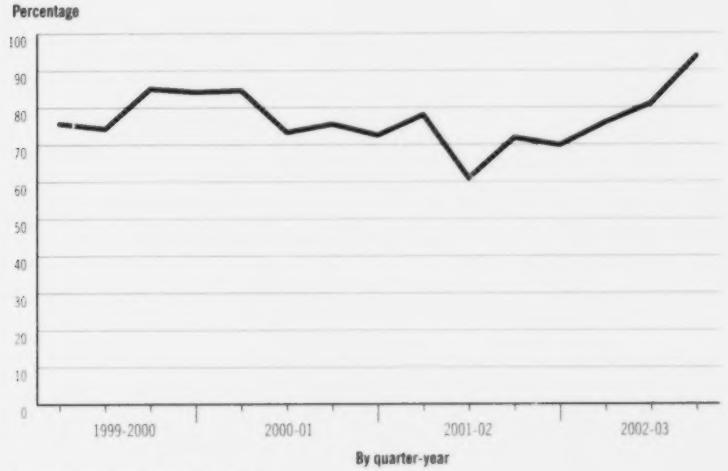
4.25 In 1999 we noted that while the Service had reduced some of the delays in acquiring these documents, in about one quarter of the cases it did not meet its own standards for timeliness. We recommended that the Service find ways to further reduce the delays in getting the necessary information on offenders. Our follow-up found that Correctional Service's current data show a further reduction in the average number of days it takes to acquire official information on offenders (Exhibit 4.3).

Exhibit 4.3 Average number of days to receive police reports, judge's comments, and post-sentence community assessments (1999–2002)

	Average number of days		
Time period	Police reports	Judge's comments	Post-sentence community assessments
1999–00	34	34	30
2000–01	25	35	27
2001–02	21	31	23

4.26 As of April 2001, Correctional Service standards require that the correctional plan be completed within 70 days of the admission date for offenders serving less than four years and within 90 days for the rest. The Service still has difficulty meeting its standards for timely completion of correctional plans (Exhibit 4.4). In 2001–02, only about 70 percent of all correctional plans were completed on time. The Service has reviewed its completion rate for the current year to date and found that nationally, it has improved to 84 percent.

Exhibit 4.4 Percentage of correctional plans completed on time (April 1999–December 2002)



Source: Correctional Service Canada

4.27 More timely acquisition of required official documents represents an improvement in one aspect of completing correctional plans on time. However, a study of the offender intake process conducted for the Service in 2002 concluded that better scheduling and assignment of resources may be necessary to complete all correctional plans on time as required.

4.28 **Recommendation.** Correctional Service Canada should identify the measures needed to meet its existing standards for on-time completion of correctional plans and should take the necessary corrective action.

Correctional Service's response. We have focussed our attention on this area and have already seen improvement. We will continue to monitor on a monthly basis and take appropriate action as required.

Case management

There is more time for offenders to complete programs before their first parole eligibility date

4.29 In 1999 we recommended that Correctional Service Canada improve the efficiency and timeliness of its case management process and the preparation of its reports on offenders to meet its approved standards.

4.30 We had estimated in 1996 that, on average, three rehabilitation programs were prescribed for low-risk/low-need offenders, and the shortest possible time in which they could complete the three programs was 105 days. We calculated that offenders serving a two- to three-year sentence had only 19 days to complete the programs before their earliest date of eligibility for parole. By 1998, this had improved to 60 days, and in 2001–02 to 79 days.

4.31 These results suggest that most offenders who require rehabilitation programs are now more likely to complete them on time. Further, some offenders start critical programs in the Intake Unit while they are still awaiting placement in an institution. More timely completion of all

correctional plans would allow added time for reintegration programs, and this would help offenders meet their parole eligibility dates.

Some offenders remain incarcerated after they become eligible for parole

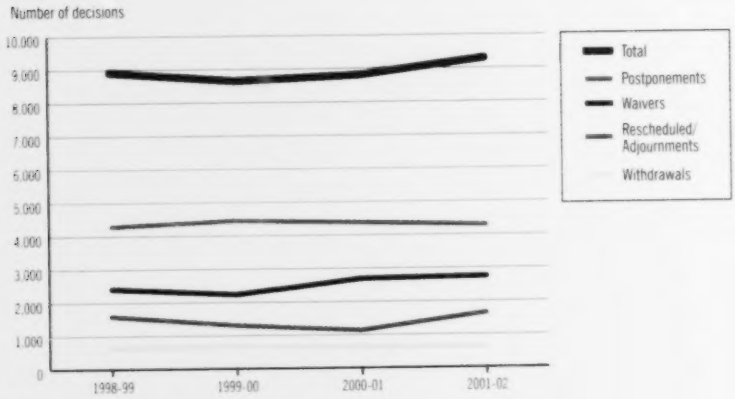
4.32 Parole hearings can be delayed for several reasons—for example, if an offender feels that the National Parole Board is unlikely to release him, if he has a court case or an appeal pending, or if Correctional Service is unable to provide the required programs in time to prepare the offender for release. The National Parole Board can also adjourn a hearing if it does not have the required documentation in time for members to prepare for the hearing.

4.33 Exhibit 4.5 shows that from 1998 to 2002, the numbers of annual withdrawals, postponements, and administrative adjournments of hearings (in combination with rescheduled hearings) have been fairly stable. However, waivers (an offender's waiving of his legal right to a hearing) have increased somewhat. In 2001–02 almost 9,300 of the possible 36,400 decisions on the release of offenders were delayed.

4.34 In 1999 we recommended that Correctional Service Canada regularly analyze the reasons for the number of offenders who remain incarcerated beyond their first date of eligibility for parole. That year, Correctional Service conducted a national study of 1,300 offenders still incarcerated after their date of eligibility for full parole in order to examine the validity of the waivers, postponements, and withdrawals of parole hearings.

4.35 The study indicated that in most cases, the reasons for the delays were beyond Correctional Service's control—for example, release was not recommended; the offender had refused programs; or offenders serving short terms did not have time to complete the programs prescribed in their correctional plans. Correctional Service did determine that seven percent of the delays were caused by factors within its control, such as insufficient program capacity or problems with scheduling. The Service concluded from

Exhibit 4.5 Waivers, withdrawals, postponements, and adjournments (1998-2002)



Source: National Parole Board

its study that not many good candidates for release were being detained unnecessarily. National and regional monitoring will continue, with periodic sampling of offenders who are past their date of eligibility for full parole.

4.36 Despite the improvement that the study showed, almost 100 offenders still were not prepared for release in time for their parole eligibility dates. The *Corrections and Conditional Release Act* requires that the Service maintain offenders at the lowest level of custody possible, including supervision in the community. Delayed releases have cost implications, since it is more expensive to keep offenders in prison than in the community. However, protecting society must always remain the paramount concern.

4.37 **Recommendation.** Correctional Service Canada should eliminate all delays within its control that affect the timely preparation of offenders for their first dates of eligibility for parole.

Correctional Service's response. As acknowledged in the chapter, there are very few offenders who are good candidates for release who see their parole review delayed due to reasons within the Service's control. It is also important to recognize that the overriding principle in federal corrections legislation is the protection of the public, and therefore our work in preparing offenders for their parole review is grounded on that principle. The Service recognizes the importance of timely preparation of offenders and will continue to examine the reasons within its control for delays and take appropriate action.

Senior correctional officers are still not fulfilling their case management responsibilities

4.38 Managing offenders' cases in the institutions requires teamwork between senior correctional officers (who also have security duties) and parole officers. Their collaboration and exchange of information are crucial to understanding changes in offenders' behaviour—information that parole officers use in preparing reports for offenders' hearings before the National Parole Board.

4.39 In 1996 and 1999, we observed that senior correctional officers were not consistently carrying out the case management duties as required by Correctional Service policy. Among other things, these officers were expected to complete clear, concise reports for case management purposes, inform colleagues about significant incidents and behavioural changes of inmates, and participate in assessing inmates. We recommended that these officers perform the case management duties required of them by policy.

4.40 Recently, Correctional Service adjusted its division of case management responsibilities. As a result, many of the senior correctional officers' responsibilities for case management reporting were shifted to the institutional parole officers. While the Service made this operational decision over a year ago, it has just started the process of rewriting and re-evaluating the job description for senior correctional officers.

4.41 The new division of responsibilities still requires that senior correctional officers observe changes in offenders' behaviour. Their case management responsibilities now are mainly to record monthly the offender's

behaviour and progress against his correctional plan objectives; after a successful temporary release of an offender into the community, to submit reports for subsequent releases; and to recommend private family visits.

4.42 An internal audit of case management in 2001 examined, among other things, one function that senior correctional officers are still required to do—recording offenders' progress and behaviour monthly, on time, and at the required standard of quality. The content of most of the reports reviewed by the internal auditors did not meet the Service's requirements.

4.43 **Recommendation.** Correctional Service Canada should complete the rewriting and re-evaluation of the job description for senior correctional officers and ensure that they fulfil the case management duties still assigned to them, as reflected in the approved division of case management responsibilities.

Correctional Service's response. Correctional Service has a commitment to review and update the senior correctional officer (CX02) work description by September 2003.

Quality of reports to National Parole Board for release decisions has improved

4.44 In deciding whether or not to grant the conditional release of offenders from prison, the National Parole Board examines reports and file information pertaining to the offender. Among other things, it places a lot of importance on the quality of the parole officer's analysis in reports from Correctional Service. In 1999, we concluded that the quality of these reports was a concern. We recommended that Correctional Service address known deficiencies in the quality of its reports to the National Parole Board.

4.45 In this follow-up audit, we used the same methodology to determine to what extent the Correctional Service reports help Board members make informed decisions on the conditional release of offenders. We selected a random sample of reports sent to the National Parole Board for release decisions from 1 January to 30 June, 2002. We examined whether the reports had enough information so that a Board member could base a decision solely on their content (good reports); whether they had some gaps in information or analysis that would require additional review of the offender's file (adequate reports); or whether they were of so little value or so unclear that a decision would require a full review of the file (poor reports). We also selected a sample of reports on offenders who presented a higher risk and had greater needs when the decision on their release was before the National Parole Board. We tested this sample separately to determine whether the quality of these reports differed.

4.46 We found that the quality of reports to the National Parole Board has improved since our 1999 audit (see Exhibit 4.6). In 1999, we rated 11 percent of all reports sampled as poor in quality. In 2002, 6 percent were rated poor. However, one in eight files on the higher-risk offenders contained reports that did not provide sufficient information to Board members. We suggest that the Service continue to monitor this area to maintain the current level of improvement and strive to achieve better quality in its reports.

Exhibit 4.6 Improved quality of reports to the National Parole Board on offenders

	Total population		High-risk offenders only	
Report quality	**1999 Sample**	**2002 Sample**	**1999 Sample**	**2002 Sample**
Good	43%	56%	42%	47%
Adequate	46%	38%	42%	40%
Poor	11%	6%	16%	13%

4.47 An internal audit review in 2001 of the case management process also examined the reports sent to the National Parole Board for decisions on releasing offenders. The review focussed on compliance with Correctional Service's policy and procedural requirements for the case management of offenders serving short terms. The review indicated that the reports did not meet the Service's current requirement to include an assessment of the offender's progress against his correctional plan, the impact of programs taken, and changes in the offender's attitude and his adjustment to incarceration.

4.48 One of the problems we found in 1999 was inconsistent control over the quality of these reports to the National Parole Board. Unit managers (who supervise teams of correctional and parole officers) were responsible for quality control but could not fulfil that role, partly because they lacked enough background and training in case management.

4.49 During our recent field visits, we found that the level of Correctional Service's quality control over reports to the National Parole Board was still uneven. The Service told us it is developing a training course for unit managers that focusses on quality oversight and feedback.

Programs for offenders

4.50 The Service has a wide range of rehabilitation programs for offenders to reduce the risk that they will reoffend. These programs can be divided into two broad categories: intervention and employment. Intervention programs have been developed to address the offenders' characteristics that have led to their criminal behaviour. They deal with such areas as substance abuse, family violence, and sex offences.

4.51 Employment programs are designed to make an offender more employable when he is released. They include vocational training, prison industries, and institutional work in areas such as the kitchen, laundry, and maintenance.

4.52 In 1996 we concluded that both intervention and employment programs lacked a management framework that would enable senior management to assess these programs and strategically reallocate funds to those that work best.

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4.52 In 1996 we concluded that both intervention and employment programs lacked a management framework that would enable senior management to assess these programs and strategically reallocate funds to those that work best.

4.53 In 1999, we reported that Correctional Service had a framework in place for evaluating the effectiveness of intervention programs. It had begun setting up panels of internationally recognized experts, who provided accreditation of a few national and local programs. Since then, all but three of 38 core programs for offenders in the institutions have been accredited. The Service has also made a concerted effort to standardize the array of available programs by replacing non-accredited local programs with accredited national programs.

Implementation of the strategy for employment programs is just beginning

4.54 Research shows that the risk of reoffending is much higher among offenders whose employment patterns have been unstable. To help offenders become more employable, the Service provides a series of employment programs and job training.

4.55 In both 1996 and 1999, we recommended that Correctional Service develop and implement a coherent strategy for providing employment programs. After six years, it has a strategy but has only just begun to implement it.

4.56 In April 2000, the Service consolidated all employment programs for offenders under the responsibility of Corcan, a special operating agency within the Service. In December 2000, Corcan formalized its employment strategy in the Employment and Employability Program. It redefines the way Correctional Service values and assigns work and vocational placements. The success of this employment strategy requires the involvement and co-operation of the Service's regional and institutional operations with Corcan.

4.57 The goal of the Employment and Employability Program is to ensure that offenders are ready for the job when they are released into the community. Its purpose is to give offenders the chance to develop employment skills, gain certified work experience, and understand what is expected in private-sector employment—for example, the pace, the quality of work, and the hours of work.

4.58 Under this strategy, employment is now viewed as a core rehabilitation program like any intervention program. As such, it requires

- assessing to what extent a lack of employment skills has been a critical factor in the offender's criminal behaviour;
- ensuring that employment programs are designed to remedy these deficiencies;
- placing the offender in an appropriate employment program;
- evaluating the offender's progress; and
- providing follow-up support in the community.

4.59 **Assessing the offender's needs.** During intake assessment, Correctional Service traditionally has assessed the extent to which an offender needs steady employment to help him avoid reoffending. It now has

further tools to evaluate the offender's aptitude for and interest in developing work skills. This should help identify those who would be served best by employment programs.

4.60 **Placing the offender in an appropriate program.** The offender case management team in the institution uses the intake assessment results to refer offenders to appropriate employment opportunities while they are incarcerated. However, in the current system there are more offenders with identified employment needs than there are openings in related programs. If employment training is to operate on the same basis as other reintegration programs, then within the institution there must be a fundamental shift in attitudes about employment for offenders. The Service must have the capacity to train for employment all offenders whose assessments show the need. Other offenders who may simply want to work or who can provide specific skills to an institutional program can then be accommodated if capacity permits.

4.61 **Program quality.** Corcan has enhanced the employment programs in the institution by introducing new standards of work, reflecting job performance requirements that are consistent with industry standards. It is planning to realign all Correctional Service programs of employment and job skills training to increase the "job readiness" skills of offenders with identified employment needs. For example, it will offer general work skills that will make the offender more employable (punctuality, problem solving, teamwork) and practical skills (food preparation, carpentry) through on-the-job training.

4.62 **Evaluating the offender's progress.** Corcan has developed a standardized tool for evaluating the extent to which an offender's participation in employment programs has made him more employable. This Offender Performance Evaluation is currently being implemented across the country. The offender's progress will be monitored and reported regularly.

4.63 **Follow-up in the community.** As part of the Effective Community Corrections initiative, Corcan received $5 million to improve its employment services to offenders in the community. It has increased the number of employment counselling offices from 12 to 25 across most major urban centres. Corcan reported in its Annual Report for 2001–02 that it helped 1,100 offenders find employment and enrolled 500 offenders in full-time education. However, it has no way to identify which regions, institutions, and programs have successfully trained offenders and then placed them in jobs in the community.

Vocational training for offenders needs to be restructured

4.64 Vocational training is one component of employment programs. Even though it parallels what Corcan offers to offenders, traditionally it has been managed independent of Corcan in the institution. Vocational training typically teaches specific skills such as welding or carpentry, and in some institutions offenders can obtain external certification of skills they have learned.

4.65 In April 2002, Correctional Service made Corcan responsible for vocational training in order to integrate it better with other components of the Service's Employment and Employability Program. Corcan estimates that vocational training programs serving about 550 offenders across all regions cost $3 million to $4 million a year.

4.66 Corcan presented a position paper to Correctional Service's senior management on restructuring vocational training. However, no strategy for vocational training has been approved and no funds have been allocated.

4.67 **Recommendation.** Correctional Service Canada should fully implement employment training of offenders as a core rehabilitation program, with particular attention to improving the provision of employment programs and vocational training to meet the identified needs of offenders.

Correctional Service's response. Action was taken effective 1 April 2003 to require that the results of a specialized employment assessment, which was developed in 2002, be addressed in each offender's correctional plan. Offenders with identified employment deficits will be referred to appropriate employment and vocational programs.

There are not enough programs for offenders in the community

4.68 We found that once offenders are released into the community, there are not enough programs to follow up on those taken inside the institution. Research shows that many intervention programs that deal with factors contributing to criminal behaviour are more effective when delivered in the community than in an institution.

4.69 Our audits in 1996 and 1999 noted that many programs required by offenders in the community were not available. For example, in 1999 the Service estimated that fewer than 20 percent of released offenders who had substance abuse problems were receiving the treatment programs they needed. We recommended that the Service ensure an appropriate balance of intervention programs between the institution and the community.

4.70 The Service has indicated that it has somewhat increased the availability of community programs but problems persist. In 2002, using the same test it conducted in 1999, Correctional Service estimated that only about 1,000 (45 percent) of the 2,200 offenders in the community who needed a substance abuse program were receiving this treatment. Waiting lists are a concern.

4.71 Exhibit 4.7 outlines expenditures for 1998–99 and 2001–02 on reintegration programs for offenders, both in the community and in the institutions. At first glance, spending on community programs increased from about $11 million to about $16 million from 1998–99 to 2001–02. Despite this increase, spending on community intervention programs has stayed at about 17 percent of the total spending on all intervention programs. However, it should be noted that there are more high-risk offenders in institutions who require more expensive, high-intensity programs.

Exhibit 4.7 Spending on reintegration programs for offenders (1998–99 and 2001–02)

Reintegration Programs	Expenditures ($000)			
	Institution		Community	
	1998-99	2001-02	1998-99	2001-02
Psychology	11,664	16,484	4,065	4,107
Program management and administration	7,354	10,369	232	2,516
Personal Development – Offenders	11,310	13,387	1,245	690
Aboriginal programs	4,059	5,996	102	808
Living skills	6,550	8,505	737	1,440
Substance abuse programs	3,953	5,542	2,176	2,367
Sex offender programs	5,617	5,945	1,690	1,848
Violence Prevention	665	2,827	0	184
Women's programs	138	557	0	77
Family Violence	954	1,544	509	573
Special Needs Program	740	783	11	116
Counter Point Program	0	0	0	810
Ethno-cultural programs	0	41	0	1
TOTAL	**$53,004**	**$71,980**	**$10,767**	**$15,537**

Note: Figures include reintegration program expenditures for both male and female offenders. Psychology also includes assessment and a variety of mental health services not directly related to offender reintegration programs.

Source: Correctional Service Canada

4.72 Offering follow-up programs for offenders in the community presents critical challenges. The duration of programs is long and their admission dates are fixed; they are offered only during the day and typically only in larger urban centres; offenders may move to another location; and there may not be enough participants to warrant offering a program. Some of these challenges relate directly to using the same structure and approach for programs in the community as for those in institutions, where the Service has more control over conditions.

4.73 As part of the Effective Community Corrections initiative, the Service undertook a $1.6 million, four-year program to deal with these challenges. It is developing a Community Maintenance Program with more flexible treatment for offenders. Activities funded under the program could address some of the known difficulties of delivering programs in the community.

4.74 The program is now going into its third year. However, the significant lack of community program capacity that existed seven years ago continues today. We expected far more progress in this area.

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4.74 The program is now going into its third year. However, the significant lack of community program capacity that existed seven years ago continues today. We expected far more progress in this area.

4.75 **Recommendation.** Correctional Service should set a reasonable target to further increase the number of offenders who receive the intervention programs they need in the community and should review progress to meet the target within a year.

Correctional Service's response. Every released offender has a correctional plan developed to respond to an assessment of his or her particular risks and needs. The Service addresses the offenders' needs through a combination of its own programs, community-based programs, specialized services, and other interventions. The Service will develop a plan to increase offenders' participation in Service-developed community programming and will monitor its progress.

Community supervision

Supervision of offenders in the community is improving

4.76 Supervision in the community is the final step in the process of reintegrating offenders—the last point at which the system can directly influence or control them. It is when they are under supervision in the community that offenders are least separated from the public and therefore present the greatest risk to society. When problems occur here, the consequences can be severe and are usually highly publicized.

4.77 The Service has standards governing the minimum frequency with which community parole officers are to meet with offenders. It is important to maintain adequate contact with offenders in the community, particularly offenders who require a high level of supervision.

4.78 In 1999 we tested the Service's ability to meet its standards for frequency of contact with such offenders. We found that it had failed to meet its minimum standard in 10 percent to 20 percent of cases, depending on the region. We recommended that the Service ensure that its parole officers meet the standard for frequency of contact.

4.79 Our follow-up found a significant improvement since then in the frequency of contact with offenders, the result of a concerted effort by management. Correctional Service has measured its progress in a series of self-audits, and in 2000–01 it found that in 5 percent to 12 percent of cases across all regions, the standard was not met.

4.80 In 2002, the Service reviewed the frequency of contact from March to July in a representative sample of files on offenders in the community. The results indicated a much higher level of adherence to national standards. Only about one to four percent of the files, by region, did not meet the minimum standard. The field data we reviewed indicated a rate of adherence in a range similar to what the Service found in its most recent review.

4.81 In its 2002 review the Service also collected information concerning the types and levels of "collateral contacts" with offenders in the community (collateral contacts are contacts by the community parole officer with the offender's family members, employer, psychologist, program delivery officers, and the police, among others). They found that over the review period a large

number of collateral contacts had occurred. Among other things, collateral contacts add value because they enhance the parole officer's knowledge of the offender and his level of risk.

Approaches vary in managing offenders who need a high level of supervision

4.82 In 1994 and in 1999, we noted that the Service was using several different approaches to manage offenders who needed a high level of supervision in the community. However, it had not evaluated the effectiveness of the different approaches.

4.83 We found in this follow-up audit that approaches to managing offenders who need a high level of supervision still vary widely from one location to another. In major urban centres, team supervision units handle these cases. In other areas, parole officers are assigned equal numbers of these offenders. Some area offices assign this group only to more experienced staff.

4.84 Correctional Service recently reviewed the approaches it uses to manage offenders who require a high level of supervision in the community. It has approved national practices for supervising those who may require more structure and control. These practices outline, for example, criteria to identify the target group, the required frequency of contact, collateral contacts, and an appropriate approach to treatment. However, they do not define the experience and competency that parole officers need to manage these cases.

4.85 We had also recommended previously that in evaluating its approaches to managing offenders who need a lot of supervision, the Service identify and implement the approaches that are the most cost-effective in various specific circumstances. The Service completed a preliminary evaluation of its community supervision practices in October 2002, six months after implementing its national guidelines.

Human resources concerns

Rate of institutional parole officer turnover appears high

4.86 During our audit, regional managers and staff frequently mentioned the high rate of movement, rotation, and turnover of parole officers. They attributed the instability of the workforce to factors such as the frequent rotation of staff within and between institutions and community offices, the number of job vacancies, and the number of acting appointments. A variety of factors affect staff turnover. Operational managers can control some of them by, for example, reassigning parole officers to address changes in workload. Others are generated by staff themselves, such as departures or leave for family-related reasons.

4.87 Each staff move creates a chain reaction—work must be reallocated, temporary acting replacements found, the long process of staffing a permanent replacement initiated, and both the temporary acting replacement and the future incumbent trained. As we have noted in this chapter, training of parole officers and quality control need improvement, issues that heighten the impact of high staff turnover on operational stability and case management.

4.88 Senior management at Correctional Service headquarters acknowledged some concern about the high staff turnover and the use of acting appointments. While it had collected few data to assess the extent and impact of parole officer turnover, the Service had examined term and acting positions in order to reduce their number. With the Service's assistance, we collected some preliminary data on institutional parole officers from its human resources data system to assess whether these concerns had validity.

4.89 The information we received on all 41 institutions with six or more parole officers showed that from 1999 to 2002, parole officers had an average annual turnover rate of about 14 percent. Eleven of the institutions had annual turnover rates of 20 percent or higher among parole officers.

4.90 In June 2002 we also examined data on the number of appointments to act in parole officer positions. These data are important because employees appointed to act in positions may not have all the knowledge and skills the positions require. In the 41 institutions we examined, about 14 percent of all parole officers were in acting appointments. Furthermore, in 12 of the institutions at least 20 percent of parole officers were acting in their positions.

4.91 Our review of turnover rates and acting appointments among parole officers was limited, as it was based on unaudited data from headquarters. However, the preliminary results did reinforce some of the concerns raised during our field visits, particularly the high rate of parole officer moves within some institutions. High turnover and the use of acting appointments are interrelated: lower staff turnover would reduce the need for acting replacements.

4.92 **Recommendation.** Correctional Service Canada should more thoroughly examine the turnover rate among parole officers, assess the impact of turnover and how it is being managed, and take the steps needed to address its findings.

Correctional Service's response. Correctional Service will more closely examine the turnover rate of parole officers and take appropriate action where necessary.

Training for parole officers needs improvement

4.93 The cornerstone of effective offender reintegration is the knowledge and competency of parole officers. It is they who ensure that offenders are properly assessed, accurate reports are prepared, and offenders get the supervision they need in the community. In 1996 we found that training for parole officers was inadequate. We noted that many had not received the eight-day orientation training for parole officers until after they had started the job. By 1999, the Service indicated that it was now providing parole officers 10 days of orientation training, and more of them were participating. It was also planning to provide refresher training to experienced parole officers.

4.94 In our current follow-up audit we noted that orientation training for parole officers still runs 10 days. This training is essential to provide new

parole officers with basic, job-specific knowledge of the reintegration process from the intake of offenders to their supervision in the community. Our field work found that many new parole officers still do not receive orientation training before they start the job. A recent review by the Service showed that 20 percent of parole officers appointed in the last year did not receive orientation training and an additional 15 percent did not receive it in the time required. These results clearly indicate the need for substantive improvement.

4.95 Parole officers in the community told us that the 10 days of orientation training did not cover all the areas of their jobs adequately. Only the last two days of the course dealt with community supervision, and the content was considered superficial.

4.96 As we have noted in this chapter, inter-rater reliability of assessment tools used at offender intake is critical to determining the offender's level of security and needs for effective reintegration. Sufficient parole officer training and learning are key ingredients of inter-rater reliability. We looked at how well current orientation training for parole officers taught and tested these competencies. We found that parole officer orientation provided only a practical overview of these critical instruments. By comparison, a similar offender assessment instrument (the Level of Service Inventory) used in numerous jurisdictions worldwide (United States, Britain, and Australia) requires more extensive training and officer testing to ensure that it is applied as intended.

4.97 Correctional Service's national headquarters has not given the regions detailed guidelines for structured on-the-job training, and we found that training on the job is uneven. Only some offices provide structured training; most training on the job is provided by the more experienced parole officers.

4.98 To be effective on the job, parole officers need continued training to enhance their skills. This can include training in risk assessment, supervision of sex offenders, crisis management, defusing of hostile situations, and negotiation. Correctional Service has not identified those who should receive this enhanced training and when.

4.99 Some parole officers have not received the enhanced training they need. Most told us that it is left up to parole officers to seek out enhanced training on their own initiative in the annual review of their performance. Even then, finding funds and time for training can be difficult.

4.100 To address the known concerns about the training of parole officers, senior management recently approved five additional days of development each year, starting in 2003–04. The training will be developed nationally to enhance parole officers' understanding and application of effective correctional practices. The Service says that three days of the training will be in the classroom and the two final days will be a combination of on-line training, conference attendance, and external courses.

4.101 The Service has also increased its funding for staff training, and it will provide added specialized training on-line to enhance the present orientation

training for parole officers. In addition, it provides supervisors of parole officers with professional development to enhance the quality of community supervision and will provide safety training for parole officers in the community.

4.102 **Recommendation.** Building on its recent efforts, Correctional Service Canada should ensure that all parole officers working at different points in the reintegration process (at offender intake, in the institution, and in the community) receive the training they need to perform their specific duties.

Correctional Service's response. The Service has already recognized this need and, to that end, it has introduced a national training standard of five days annual training, which will provide parole officers with additional specialized training on the clinical aspects of their duties.

Conclusion

4.103 In 1999 we concluded that Correctional Service was moving in the right direction with initiatives to make its practices and results more consistent across all of its regions.

4.104 Today, the Service has made good progress in several areas that we have raised previously:

- It takes less time to acquire critical documents.
- It has more time to complete the case management process for offenders in institutions.
- The quality of reports to the National Parole Board continues to improve.
- It has made a significant improvement in meeting its standards for frequency of contact with offenders in the community.
- It has developed and evaluated national guidance on supervising offenders who need a high level of supervision in the community.

4.105 However, the Service needs to improve further in other areas where we made recommendations in 1999. It still needs to

- provide enough programs for offenders in the community when they need them;
- implement its strategy for employment and vocational programs; and
- ensure that senior correctional officers fulfil their duties in case management.

4.106 During this follow-up we also identified some related areas that need attention where we did not make recommendations in 1999. Correctional Service needs to

- thoroughly test the reliability of the tools it uses to assess offenders at intake;

- improve the training of parole officers to meet the requirements of the job;
- assess and address the apparently high turnover of parole officers; and
- complete offenders' correctional plans to meet existing standards.

4.107 A future direction for reintegration of offenders. Correctional Service has modified the structure of its reintegration process several times over the past decade. In September 2002 it approved the latest step in the evolution, called "operating regimes." This is a new approach to help specific groups of offenders achieve their correctional goals with the aid of a specialized team of correctional staff. A key part of this new model is to increase offenders' responsibility for their behaviour and for their active involvement in achieving the objectives of their correctional plans.

4.108 Several operating regimes are planned: one for highly disruptive offenders in maximum security institutions; a transition regime for offenders preparing for release to the community; and a number of separate operating regimes in the community based on offenders' needs and potential for reintegration. However, operating regimes will succeed only to the extent that the Service builds on the improvements it has already made in its reintegration practices and addresses those areas we have identified that still need improvement.

About the Follow-up

Objective

The objective of this follow-up audit was to assess the extent to which Correctional Service Canada has acted on recommendations made in Chapter 1 of our 1999 Report. Specifically, we assessed the extent of improvement in the following areas of offender reintegration:

- official documentation received at intake,
- reliability of risk assessment tools,
- timeliness of case management,
- quality of reports to the National Parole Board,
- availability of programs for offenders in the community,
- implementation of the employment strategy, and
- supervision of offenders in the community

Audit scope

Our examination focussed on the critical components of the reintegration process for male offenders that contribute to effectively reintegrating offenders into the community as law-abiding citizens. We also examined the extent to which parole officers working with offenders throughout the reintegration process have the necessary knowledge, skills, and experience to perform the duties of their jobs. The audit did not include issues specific to male Aboriginal offenders.

Audit criteria

We expected the following:

- Risk assessment instruments used to identify an offender's criminogenic factors and level of security throughout the sentence are valid, reliable, and properly applied.
- Accurate, timely, and complete information on the offender both from external sources and from within Correctional Service are available to complete the offender's correctional plan.
- Good-quality, timely intervention and employment programs are provided by qualified individuals to offenders while they are incarcerated and while under supervision in the community.
- Information on offenders' progress against their correctional plans is collected on an ongoing, timely basis and is accurate and complete.
- The Service regularly analyzes the reasons why offenders remain incarcerated past their first date of parole eligibility.
- Complete, timely, and accurate reports are provided to the National Parole Board to grant conditional release to offenders at their first date of parole eligibility and at subsequent reviews.
- Parole officers maintain contact with and supervise offenders in the community at a level that is appropriate and consistent.
- Parole officers working at different points in the reintegration process (at intake, in the institution, and in the community) possess the necessary knowledge, skills, and experience to perform the tasks and duties of their jobs.
- Correctional Service has the accurate and timely performance information it needs on all operational aspects of the reintegration process, including human resource indicators, to make informed management decisions.

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Appendix Offender Population, Admission, and Release Trends (1997–98 to 2001–02)

Offender Population

Offender location	1997–98	1998–99	1999–00	2000–01	2001–02
Institution [1]	13,125 (61%)	12,776 (60%)	12,474 (59%)	12,419 (59%)	12,306 (60%)
Community [2]	8,235 (39%)	8,656 (40%)	8,792 (41%)	8,579 (41%)	8,276 (40%)
Total	21,360	21,432	21,266	20,998	20,582

Note: [1] Institutional figures do not include escaped offenders (154 in 2001-02).

[2] Community figures do not include offenders deported upon release and provincial offenders under federal supervision. Included are offenders unlawfully at large (646 for 2001-02) and offenders on parole who have been temporarily detained (850 for 2001-02).

Offender Admission

Type of Admission	1997–98	1998–99	1999–00	2000–01	2001–02
Warrant of committal	4,224	4,418	4,128	4,057	3,926
Revocation* without offence	2,223	1,852	1,951	1,724	1,704
Revocation* with offence	1,004	1,105	1,108	1,115	962
Revocation* with outstanding charge	—	—	5	287	370
Total admissions	7,451	7,375	7,192	7,183	6,962

Note: *Conditional release suspended and offender returned to federal prison.

Offender Releases

Type of Release	1997–98	1998–99	1999–00	2000–01	2001–02
Day parole	2,474	2,673	2,659	2,305	2,084
Full parole [1]	540	396	290	215	224
Statutory release	4,773	4,340	4,429	4,568	4,690
Warrant expiry	398	333	266	214	196
Total	8,185	7,742	7,644	7,302	7,194

Note: [1] These figures do not include offenders who change from day parole to full parole. They are shown below.

	1997–98	1998–99	1999–00	2000–01	2001–02
Day parole to full parole	1,034	1,130	1,147	932	837

Source: Correctional Service Canada

Chapter

5

Post-Secondary Recruitment Program of the Federal Public Service

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by the Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

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Post-Secondary Recruitment Program of the Federal Public Service

Main Points

5.1 The Public Service Commission has redesigned the Post-Secondary Recruitment program to better meet the needs of both students and government departments and has improved the way it markets the program to universities. However, we found that departments use the program relatively infrequently to staff positions in their regional offices.

5.2 The Public Service Commission has substantially implemented the changes to the program that we recommended in our December 2000 Report. Over the last three years, departments have filled increasing numbers of jobs through the Post-Secondary Recruitment program. However, the increase has been minimal in proportion to the increase in total numbers of people hired into the public service during the same period.

5.3 In our December 2000 Report, Chapter 21, we recommended that the government develop a results-oriented recruitment strategy that would identify post-secondary recruitment targets to address workforce renewal challenges for the years ahead. In our 2002 follow-up work discussed here, we found that some departments and the government as a whole have made limited progress in human resources planning and in establishing recruitment targets. We found that some departments and the government as a whole have not analyzed their recruitment and renewal needs. Nor does the government have a complete picture of the educated and skilled people who are entering the public service through its various recruitment routes.

5.4 Many managers continue to adopt the expediency of short-term hiring, despite the opportunity to recruit through a fast and flexible program. Departments need a balance between hiring to fill immediate vacancies and hiring strategically, with a view to ensuring that the government will have qualified people to deliver its programs and services in the future.

The Public Service Commission, the Treasury Board Secretariat, and the departments we audited have responded. The Public Service Commission, the Treasury Board Secretariat, and the departments we audited agree with the recommendations of our follow-up. Responses throughout the chapter indicate measures being taken or planned to address the recommendations.

Introduction

A federal public service facing renewal needs

5.5 The federal public service will not have the capacity to deliver services if it does not attract people with high-level skills and education. An aging workforce, changes in the nature of work, and competition for resources are challenges that need to be addressed.

5.6 The aging of Canada's population is reflected in the make-up of the federal public service. According to the Treasury Board Secretariat's forecasting models, the proportion of employees aged 55 and over is expected to increase over the next 10 years. Particularly in the upper and middle ranks, many are approaching the time when they will be eligible to retire.

5.7 At the same time, the profile of jobs in the public service is undergoing a transformation to more scientific, technical, and professional positions that require higher levels of education and skills. Replenishing these positions is critical to maintaining a well-functioning public service. Departments are concerned about shortages in the technical and scientific occupations and the management and leadership categories.

5.8 Between 1999 and 2002, speeches from the Throne, the Clerk of the Privy Council's annual reports to the Prime Minister on the public service of Canada, and the Prime Minister's responses to the Clerk have reiterated the importance of attracting and developing the talent needed to serve Canadians in the 21st century. Following the hearings on our December 2000 Report, Chapter 21, and our December 2001 Report, chapters 2 and 3, the Standing Committee on Public Accounts concluded that the government's capacity to attract talented and skilled people needed significant improvement.

The Post-Secondary Recruitment program

5.9 The Post-Secondary Recruitment program is managed by the Public Service Commission. It is the federal government's main structured program for recruiting graduates into a wide variety of entry-level positions in the Administrative and Foreign Service category and the Scientific and Professional category. It is also an excellent source of candidates to renew and rejuvenate the federal workforce and help address the urgent challenge of recruiting for the years ahead.

5.10 At this time, the government has introduced new legislation to modernize the public service of Canada that proposes delegating authority for staffing to departments. We do not yet know the implications for centrally run programs. Exhibit 5.1 shows how graduates may currently enter the federal public service through the Post-Secondary Recruitment program and other avenues.

5.11 The Post-Secondary Recruitment program has a number of positive features. Its selection processes are based on an assessment of whether an applicant's education fits the job. The program has consistently met or

exceeded the federal public service's employment equity targets except for people with disabilities. It is open to applicants from all over Canada, and it offers jobs that are mostly indeterminate (continuing employment without a specified end date) and linked to long-term public service careers.

Exhibit 5.1 How university graduates enter the federal public service

General recruitment

Individual competitions for vacant positions in departments for both short- and long-term employment in all occupational groups.

Competitions managed by the Public Service Commission or by departments with special delegated authority to recruit for highly specialized jobs, such as nurses and doctors at Health Canada and Veteran Affairs Canada and economists at the Department of Finance.

Post-Secondary Recruitment program

Recruitment to specific entry-level positions in departments—managed by the Public Service Commission for the Administrative and Foreign Service and the Scientific and Professional occupational groups; mainly for long-term career appointments.

Recruitment to entry-level positions for development programs—managed by the departments, for example, programs at Statistics Canada for economists/sociologists and mathematical statisticians; Public Works and Government Services Canada for supply officer trainees, and Foreign Affairs and International Trade for the Foreign Service and for management and consular affairs officers.

Recruitment to entry-level positions for corporate development programs—managed by the Public Service Commission: the Management Trainee program, the Accelerated Economist Training program, the Policy Research Development program, and the Human Resources Development program.

Recruitment to entry-level positions for the Financial Officer Recruitment and Development program and the Internal Auditor Recruitment and Development program—managed by the Treasury Board Secretariat.

Student bridging

Students who have worked for the federal government under an official student program and who are hired through the bridging program after graduation.

Managed by departments for all occupational groups; indeterminate or term status employment.

Focus of the follow-up

5.12 Our December 2000 Report (Chapter 21) discussed our audit of how the Public Service Commission was managing the Post-Secondary Recruitment program and to what extent federal departments were using the program. This follow-up audit examined the government's progress in addressing our recommendations from that chapter. As part of the follow-up, we looked at changes to the program and at their impact. We looked at whether more departments are using the program as part of their strategy for human resources renewal and recruiting more new graduates into their workforce, particularly in their regional offices. We also examined whether the Public Service Commission has improved the way it markets the program to universities. Finally, we examined whether the Commission has improved

the way it reports the program's results to Parliament. We did not audit the Commission's quantitative data on the Post-Secondary Recruitment program; however, we assessed the Commission's data compilation methods.

5.13 Our 2000 audit included three departments as examples of users of the Post-Secondary Recruitment program: the Department of Foreign Affairs and International Trade, Fisheries and Oceans Canada, and Statistics Canada. For the follow-up, we added three departments: Public Works and Government Services Canada (PWGSC), Human Resources Development Canada (HRDC), and Veterans Affairs Canada. We chose PWGSC and HRDC because they are very large departments with a sizeable presence in all regions of Canada. We chose Veterans Affairs because its headquarters are outside the National Capital Region and we were interested in the regional recruitment practices of departments in this situation. Our follow-up scope and criteria are set out in About the Follow-up at the end of the chapter.

Observations and Recommendations

The program's new design

Changes in the design of the program represent progress

5.14 Our December 2000 Report made a number of recommendations to improve the Post-Secondary Recruitment program. We recommended that the Public Service Commission create inventories of pre-screened, qualified candidates to speed up the staffing process and encourage managers to hire graduates from the inventory to indeterminate positions. We said that it needed to improve the scheduling and timeliness of the program's recruitment campaigns. And we recommended that the Commission and departments systematically assess recruitment activities under the program and report to Parliament on the program's use.

5.15 Following the hearing on our Report, the Standing Committee on Public Accounts also made a number of recommendations to the Commission. They included enhancing opportunities through the program for recruitment in all regions across Canada, developing a database of pre-screened candidates, and reporting to Parliament on improvements made and the results achieved.

5.16 The Public Service Commission redesigned the program as a result. Earlier in 2000, the Commission and the Treasury Board Secretariat had published a Recruitment Action Plan, which called for the government to improve its human resources planning and to set recruitment targets. It recommended that departments use the Post-Secondary Recruitment program to fill more positions, that the Commission and departments co-ordinate their marketing of the program on university campuses, and that the marketing promote the government as a workplace of choice.

5.17 The differences between the former program and the redesigned program are shown in Exhibit 5.2. The program's application process has been entirely electronic since the fall 2001 recruiting campaign, allowing candidates to apply directly through the Internet.

Exhibit 5.2 Changes in the Post-Secondary Recruitment program

Former program	Redesigned program
Up to 1999, the Post-Secondary Recruitment program was an annual campaign receiving applications only during one month in the fall. In 2000 and 2001 there were winter and fall campaigns.	The program runs throughout the year.
Departments were restricted to advertising during the one-month campaign period.	At any time of the year, departments can advertise positions requiring a recent university degree.
Periods for applying were restricted.	Candidates can apply to the inventory or to departments' current posters at any time.
Applications with missing data risked being rejected.	Applicants can provide missing data at a later date.
Departments had to rely on their own posters and could pick only from graduates who applied during the campaign periods.	Departments can select suitably qualified candidates from the inventory whenever they are ready to staff a position.
Prior to May 2001, departments could post jobs through the Post-Secondary Recruitment program only if there were five or more positions. Subsequently, to encourage use of the program, departments could advertise single positions.	Using the Post-Secondary Recruitment program's inventory allows one-stop shopping for candidates seeking similar positions in a number of departments.
Candidates not selected during a particular campaign would have to re-apply during the next campaign if they were interested in, and met the requirements of, the positions advertised.	Candidates can choose to keep their applications active by reconfirming their application every 60 days.
Screening tests were administered only in association with the annual or biannual campaigns.	Candidates can apply to specific posters and the inventory at any time.
Applicants needed to take whatever tests were required for the job for which they were applying.	Two tests, the Graduate Recruitment Test (GRT) and the Written Communication Proficiency Test (WCPT), are currently used to screen in the stronger candidates and are administered at regular intervals.
Departments made their own selection from applicants to their own posters.	Candidates applying to the inventory can write the GRT and WCPT to complete their applications and be readily available for consideration by departments. Taking these tests is optional but is recommended by the Public Service Commission. Departments may choose to require further testing.
Departments had a heavy workload of candidate screening.	A pre-screened inventory allows a department to request the Public Service Commission to refer the top 10 candidates meeting specific requirements. This reduces departments' workload considerably. Departments must still carry out their own screening of applicants responding to their own posters.
Applications were received during the campaign month, followed by mass testing, followed by referral to departments. Paper referrals were sent to departments.	A faster, electronic referral process takes under 48 hours for career choices requiring no further testing.
Tests were evaluated manually by correctors.	Tests are corrected electronically—95 percent of tests are corrected in two weeks.
Traditional testing methods were used. Applicants sat for exams at a designated centre at an appointed time.	On-line testing of candidates is planned (successfully piloted in Edmonton in fall 2001).

5.18 Two fundamental changes are the transformation from a twice-yearly campaign to a continuous campaign and the creation of the Post-Secondary Recruitment program inventory.

The Public Service Commission has improved the way it markets the program on campuses

5.19 In our 2000 Report, we observed that the Public Service Commission needed to be a better recruiter: it was not promoting a career in the public service sufficiently and aggressively. Nor was it working with departments to co-ordinate their visits to university campuses. In response to our observations, the Commission said it had allocated resources to enhance its promotion and marketing efforts. In our follow-up we expected to find that the Post-Secondary Recruitment program was more visible on campuses and that students had a better perception of the career opportunities the public service has to offer.

5.20 The majority of university career advisors and recruitment co-ordinators we interviewed knew about the redesign of the program and liked the changes. We found that their perception of the public service as an employer had improved. In part, this was a response to changes in the economy, but it was also because the Commission had improved its marketing methods and materials. It continues to publicize the program on campuses by attending career fairs and communicating with program directors and deans. University career advisors and recruitment co-ordinators noted an improvement in the appearance of the Commission's kiosk, which features electronic access to the jobs.gc.ca Web site. The Web site itself is user-friendly. The kiosks are staffed by the Commission's local human resources personnel who are responsible for student recruitment and have the knowledge to respond to students' questions.

5.21 In 2001, the Commission added a Student Ambassador Initiative to its marketing strategy. Student ambassadors are full-time students who are paid a small salary to work 8 to 10 hours weekly throughout the academic year, promoting public service employment to their fellow students. University career advisors and recruitment co-ordinators on campuses where a student ambassador was present reported that the initiative was succeeding in educating students about careers in the federal government.

5.22 In our 2000 audit, we found that students were confused about who was doing the hiring: the Public Service Commission, a department, or a federal agency. The Public Service Commission has tried to solve this problem by linking the program's Web site to other federal government employment sites. The Commission also tries to co-ordinate its campus activities with those of departments. Although the students' understanding has improved, it is still not clear to them who is recruiting. A study by the Treasury Board Secretariat of the marketing and promotional practices that support recruitment recommended that the Government of Canada develop a more consistent corporate image, but no further action has been taken yet.

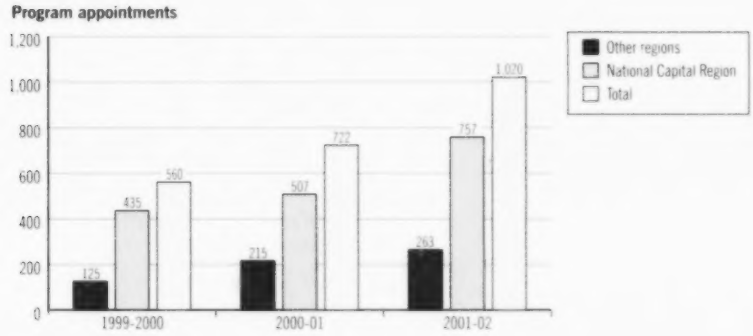
Results of the program changes

The program's contribution to new hiring has stayed about the same

5.23 According to the Public Service Commission's data, the number of appointments made through the Post-Secondary Recruitment program over the last three years shows a significant upward trend. However, the total number of indeterminate employees hired into the federal public service has also increased over the same period, and the proportional contribution of Post-Secondary Recruitment program appointments to new indeterminate hiring has remained roughly the same, despite the program's redesign.

5.24 Exhibit 5.3 shows that the number of appointments made through the program almost doubled between fiscal years 1999–2000 and 2001–02, from 560 to 1,020; the number of appointments outside the National Capital Region also more than doubled, from 125 to 263.

Exhibit 5.3 Post-Secondary Recruitment program appointments in the National Capital Region and other regions



Data include all departmental and corporate programs that recruit through the Post-Secondary Recruitment program

Source: Public Service Commission: Post-Secondary Recruitment program data (not audited)

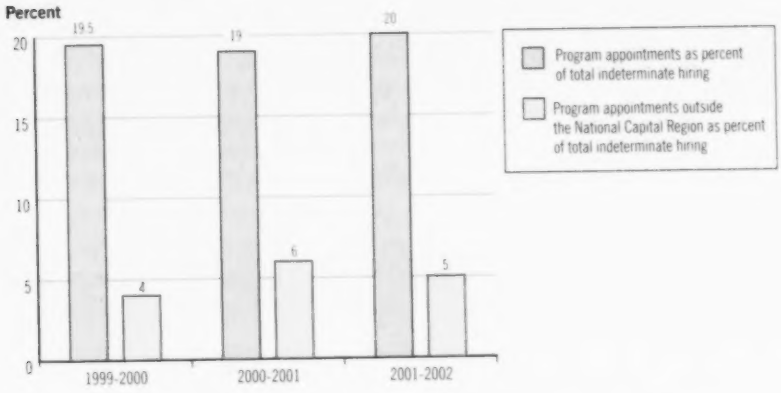
5.25 Over the same period, the total number of federal public service employees grew by some 18,000, an increase of about 12 percent according to the Treasury Board Secretariat's public service employment statistics. The number of new indeterminate employees hired rose from 2,874 in 1999–2000 to 3,856 in 2000–01, and to 5,046 in 2001–02. Exhibit 5.4 shows that appointments through the Post-Secondary Recruitment program remained steady at about 20 percent of total indeterminate hiring over the past three years.

5.26 Appointments through the Post-Secondary Recruitment program in regions outside the National Capital Region also rose in relation to all indeterminate hiring (Exhibit 5.4), from 4 percent in 1999–2000 to a high of 6 percent in 2000–01; and then it dropped to 5 percent in 2001–02.

5.27 In our 2000 Report, we said we were concerned about the low rate of use of the program in the regions, given that 60 percent of the federal public service works outside the National Capital Region. We recommended that

the Public Service Commission use the program to offer opportunities across the country. Our follow-up found that the number of people hired through the program in the regions remains relatively low.

Exhibit 5.4 Appointments through the Post-Secondary Recruitment program as a percentage of new indeterminate hiring



Source: Public Service Commission: Post-Secondary Recruitment program data and annual report hiring statistics (not audited)

Many managers still do not use the program

5.28 The Public Service Commission's appointment statistics and the progress reports of its and the Treasury Board Secretariat's Recruitment Action Plan show that the number of departments using the program increased from 26 in 1999–2000 to 32 in 2000–01, and to 38 in 2001–02. These 38 departments together make up about 97 percent of the total public service population. Thus, what is needed is not so much for more departments to use the program but for those that already do to use it more, especially in the regions.

5.29 During our audit of the program in 2000 and our audit of general recruitment one year later (Auditor General's December 2001 Report, Chapter 3), managers told us they needed better tools to identify candidates for recruitment, including inventories of pre-qualified individuals from which they can quickly identify those who meet their needs. Managers also complained then about the long lead time needed to post positions under the former program, because they could not always predict job vacancies that far ahead. In our opinion, the changes to the program have addressed these problems.

5.30 The human resources personnel we interviewed both at departmental headquarters and in the regions welcomed the changes to the program but reported that many of their line managers gave them a number of reasons for not using the program and the inventory. A primary reason was that the

inventory is new, and some managers are not yet fully aware of it and how it can reduce their recruitment workload and the time it takes to recruit.

5.31 Further, some managers prefer to use the student bridging program because they have already invested in training the students and they know their work. In the bridging program, students who have worked for the federal government to gain job experience during their studies can be hired after graduation either with or without a job competition, depending on the initial selection process.

5.32 However, the Public Service Commission is concerned that managers in many departments and agencies are not using the Post-Secondary Recruitment program enough to meet their renewal needs. A series of letters from the Commission to heads of personnel in departments and a letter dated July 2002 from the President of the Commission to deputy ministers and agency heads encouraged departments and agencies to increase the number of jobs available to graduates through the program, particularly in the regions. The Commission also uses presentations to the human resources community to call for more appointments through the program.

5.33 Three of the six departments covered in our follow-up audit have a sizeable presence in the regions outside their headquarters in the National Capital Region: Fisheries and Oceans Canada, Public Works and Government Services Canada, and Human Resources Development Canada. We found that their regional offices make only limited use of the program, although Fisheries and Oceans Canada's central Post-Secondary Recruitment program campaign in 2001 (for about 15 positions) took the Department's regional needs into account. We also noted a line manager in one of the regional offices of Public Works and Government Services Canada who had undertaken a special recruitment initiative through the program.

5.34 Human resources personnel in these departments' regional offices gave us various reasons why most of their line managers did not use the program. These included the fact that they had a stable workforce or that they did not need university graduates for the jobs that became vacant.

5.35 Veterans Affairs Canada, which has its headquarters in Prince Edward Island, said it has made little use of the program, in part because it has its own delegated authority to hire doctors and nurses for its hospital facilities. However, it does participate in the Post-Secondary Recruitment program's corporate development programs (as described in Exhibit 5.1) from time to time to recruit people in other fields.

5.36 The Commission is also worried about underuse of the Post-Secondary Recruitment program's inventory by regions outside the National Capital Region. As an additional initiative to promote the program's inventory to departments, the Commission recently instructed its Post-Secondary Recruitment program co-ordinators throughout the country to encourage departments to check the inventory for candidates to meet their general recruitment needs. In December 2002, the inventory listed 9,000 graduates or students about to graduate, 6,000 of whom had passed the Graduate

Recruitment Test and the Written Communication Proficiency Test, the two basic tests used to screen in the stronger candidates. Yet the total number of appointments made through the program in the previous year was around 1,000, and most were in the National Capital Region. University career advisors and recruitment co-ordinators caution that the inventory will lose credibility if students hear how few appointments are made from it.

5.37 We expected that the changes to the Post-Secondary Recruitment program, added to the program's impartial selection process, its national character, and its good record in meeting employment equity targets, would have led to more extensive use of the program, especially in the regions. We share the Public Service Commission's concerns about departments not using the redesigned program as much as anticipated.

Short-term hiring practices remain a problem

5.38 In the follow-up we were told that managers use short-term hiring because their departments do not have human resources plans and do not budget for more than a year at a time. Managers are also under pressure to complete their work on time, so they prefer to hire people who already have experience. The hiring managers who took part in the survey we conducted during our audit of general recruitment (December 2001 Report, Chapter 3) made similar comments.

5.39 In that audit chapter we referred to a culture of short-term hiring and said that recruitment practices needed to change. The recruitment system had to be faster and more flexible. Managers needed to change their mindset on recruitment to ensure a better balance between the immediate need to fill vacancies and the strategic needs of their departments. Though the Public Service Commission has redesigned the Post-Secondary Recruitment program since then to make it more nimble, our follow-up work indicated that many managers have not altered their outlook on recruitment.

5.40 A joint study on term employment published by the Public Service Alliance of Canada and the Treasury Board Secretariat in December 2002 showed the problems caused by the use of term hiring for other than legitimate short-term purposes. Examples of legitimate uses are filling temporary vacancies while indeterminate employees are on leave or on assignment, staffing short-term projects, or assisting with heavier than usual workloads. The study confirmed what we had found in 2001: some managers use term hiring because they find it more convenient than following the current rules for indeterminate hiring. The Treasury Board's new policy on term appointments shows the seriousness of the problem and the need for a drastic change in departments' approach to recruitment.

The program works well to recruit for development programs

5.41 Some departments are doing a good job of linking the program to their own development programs. Three of the departments in our follow-up—Statistics Canada, Public Works and Government Services Canada, and Foreign Affairs and International Trade—have used the program to recruit for their formal development programs. For the most part, these departments

have a good knowledge of their workforce and have looked ahead to their future business needs.

5.42 Statistics Canada establishes its human resources requirements through demographic projections and renewal and business planning. As we reported in December 2000, this department is highly regarded for its recruitment practices and continues to maintain its excellent reputation for planning and recruitment. PWGSC also uses demographic analysis to forecast its needs, although its human resources managers would like line managers to improve their planning of workforce renewal. PWGSC has put measures in place to help line managers use the demographic analysis for planning. At PWGSC we also found an example of a regional office using the Post-Secondary Recruitment program to fill the occupational gaps that its own regional human resources plan had identified. Foreign Affairs and International Trade relied mainly on its established procedures and traditions.

5.43 These three departments recognize that they must invest in recruiting and developing graduates to continue providing their core services. They have senior management support for strategic recruitment through the Post-Secondary Recruitment program.

5.44 At HRDC, one branch recently implemented a development program for its core staff and uses the Post-Secondary Recruitment program. In contrast, managers in departments with no longer-term renewal strategy hire mainly to fill each vacancy as it occurs.

5.45 The government also uses the Post-Secondary Recruitment program to recruit university graduates in specific disciplines for five special development programs to meet government-wide needs. These corporate programs set targets annually for the number of trainees they aim to hire. We reported in 2000 that some of the corporate development programs had not met their annual recruitment targets. Since then, the number of graduates recruited through the corporate programs has increased, and all programs have reached or almost reached their targets. The Treasury Board Secretariat's recent *Review of Corporate Student Employment and Entry Level Recruitment and Training Programs* concludes that corporate development programs contribute to the renewal of the public service.

Departments and the government as a whole have not determined their recruitment needs

5.46 Among the six departments involved in our follow-up, the extent of their demographic analysis and human resources planning varied considerably. Statistics Canada is recognized for its use of sophisticated demographic analyses and human resources planning models. It sets recruitment targets for its principal occupational groups. Some departments had a more accurate knowledge of their headquarters' and regional offices' recruitment needs and activities than others. For example, HRDC had done some recent demographic analysis of its workforce, but it had not updated its 1998 recruitment and retention strategy and had little knowledge of recruitment activities in its regional offices. One region had developed its

own strategic human resources plan in 2000 with an update planned in 2003. Fisheries and Oceans Canada has completed a demographic analysis of each occupational group and has identified where there are likely to be shortages. It recognized that it needed to improve its human resources planning capability and is working with the Public Service Commission to develop this capacity.

5.47 In both 2000 and 2001 we reported that capacity for human resources planning and demographic forecasting varied significantly from one department to the next. We said the government needed to develop a strategic direction and specific goals for recruitment to meet the renewal challenge. Without recruitment strategies, departments found it difficult to identify whom they needed to recruit. We were concerned that the government had made recruitment a priority without setting targets for recruiting to critical occupational groups.

5.48 The Recruitment Action Plan published in July 2000 by the Public Service Commission and the Treasury Board Secretariat called for the government to clearly identify public service recruitment needs for the next three to five years. The plan listed recruitment forecasts among its short-term deliverables. In the two years since, the government has set no comprehensive targets, even though several occupational communities are at risk because people with the right qualifications are in short supply. People with these special qualifications are often attracted to work for the private sector rather than the public sector. The Recruitment Action Plan follow-up reports of September 2001 and November 2002 note that certain departments have made some progress and use good practices in their demographic analysis, human resources planning, and recruitment strategies. However, most of them do not report any recruitment targets. The Public Service Commission recently began training departments to improve their human resources forecasting and planning capacities.

5.49 The Treasury Board Secretariat's *Review of Corporate Student Employment and Entry Level Recruitment and Training Programs* found that any government renewal strategy would need to include an assessment of government-wide demand for entry-level recruitment and training programs.

The government has no global picture of new graduates hired

5.50 The Post-Secondary Recruitment program is just one of several ways for graduates to begin a public service career. No government-wide tally exists to show how many graduates are entering the public service through each of the different recruiting avenues, such as student bridging and general recruitment, or what types of jobs these graduates accept when they are hired and under what status of employment.

5.51 The Treasury Board Secretariat's *Review of Corporate Student Employment and Entry Level Recruitment and Training Programs* pointed out that there is no inventory of departmental entry-level recruitment and training programs across departments—no record of who is doing what. The government needs to know how many graduates are entering the public

service and with what knowledge and skills. That knowledge and an understanding of where gaps in its workforce are likely to occur will help the government target development programs at graduates already in the public service. It will also help recruitment programs such as the Post-Secondary Recruitment program to advertise positions specifically and clearly and to make more timely job offers. Once the government has accurate information about the career opportunities it has available to graduates, it can market and promote its corporate image as a workplace of choice.

5.52 **Recommendation.** The government and departments should adopt a strategic approach to renewal based on demographic analysis, projections, and knowledge of current and anticipated business needs. They should develop specific targets for recruitment, particularly to the occupational groups that anticipate critical shortages.

Human Resources Development Canada's response. HRDC is currently undergoing an extensive renewal initiative to modernize service to Canadians and to undertake a complete policy and program review, as well as a corporate services review. A comprehensive human resources transition strategy will be developed to support the renewal agenda. This strategy will take into account the realignment of existing business lines and current resources as well as any future recruitment needs.

Public Works and Government Services Canada's response. PWGSC concurs with the recommendation. The Department is aware of the importance of building a strong foundation for the future and has undertaken a number of strategic human resources initiatives to support this objective, including a new integrated business planning cycle in 2001-02; the implementation of a comprehensive human resources management framework; and training in human resources planning for managers. As well, each branch head is provided semi-annually with demographic analyses and projections, including key group analyses, and is responsible for developing recruitment plans.

Managers are encouraged to staff positions on an indeterminate basis and to use apprenticeship and professional training programs for new recruits, with the result that PWGSC has a very low proportion of term employees.

Given that 70 percent of PWGSC staff are located in the national Capital area, and given the nature of regional work and the relatively low number of entry level professional positions in the regions, the opportunities for the regions to recruit through the Post-Secondary Recruitment program are limited.

Statistics Canada noted that the chapter recognized its excellent reputation for demographic analysis, projections, and knowledge of its future needs, and therefore offered no further response. The Department of Foreign Affairs and International Trade, Veterans Affairs Canada, and Fisheries and Oceans Canada acknowledged the chapter, with no further comment.

Reporting on the program

5.53 In our last reports on human resources management issues, we criticized the quality of the information provided to Parliament. The Public Service Commission then established a process to improve its reporting. Its Annual Report to Parliament for 2001–02 provides significantly better information than in previous years. It provides more explanation about the modernization of staffing practices in the public service, the health of the staffing system, and some of the human resources challenges facing the federal public service. The report is more candid and open about the problems of the current staffing system.

5.54 However, the report refers to the Post-Secondary Recruitment program mainly as an example of the use of electronic recruitment, and it lists activities without discussing trends or the impact of the changes that have taken place. As an indicator of improvement in the program, for example, it gives only the increase in the number of applications received. It states that the 22,305 applications received during the fall 2001 campaign represent an 80 percent increase over the previous year. But it does not assess the contribution of the Post-Secondary Recruitment program to maintaining and renewing an educated and skilled government workforce while reflecting public service values, such as making sure that the composition of the public service reflects Canada's labour market. Nor does the report mention as a positive feature of the program that it meets or exceeds most of the government's employment equity targets.

5.55 The Commission's annual report does not discuss the challenge of encouraging departments and regions to use the program more. Further, it discusses the Post-Secondary Recruitment program in isolation from government policies and other government initiatives that may influence the level of use of the program. For example, when the Commission delegates authority to departments for external recruitment, they use the program less. In 2001 the Department of Finance received delegated authority for a two-year trial to recruit into three streams of economists. Finance now conducts its own recruitment campaign, although it had been a regular user of the program before.

5.56 Enhancements to the student bridging program make it a viable alternative to the Post-Secondary Recruitment program. Other, more general policies may affect the use of the program in the future—an example is the Treasury Board's new policy of converting term employees to indeterminate status after three years of continuous government employment.

5.57 Recommendation. The Public Service Commission should provide more information on the outcomes of the Post-Secondary Recruitment program and explain the program's effectiveness relative to that of other recruitment initiatives and policies.

Public Service Commission's response. The Commission will seek the co-operation of the employer, departments, and agencies to describe in its annual report the results of its recruitment programs in the context of other policies and programs that also influence recruitment.

Conclusion

5.58 In response to our recommendations of 2000, the recommendations of the Standing Committee on Public Accounts, and the Public Service Commission's and Treasury Board Secretariat's joint Recruitment Action Plan, the Public Service Commission has succeeded in redesigning the Post-Secondary Recruitment program to better meet departments' renewal needs and to make it more attractive to university graduates. Qualified students are applying in large numbers and more are being hired than in previous years. However, it is too early to determine the program's effectiveness in contributing to the overall renewal of the federal public service.

5.59 Although the number of graduates hired through the program has increased, the program's proportional contribution to new hiring from outside the public service has remained the same. In our opinion, the program's effectiveness at hiring graduates as part of the renewal of the federal public service is limited by the lack of human resources planning and support for the program in departments.

5.60 As the government's main structured program for recruiting university graduates, the Post-Secondary Recruitment program should be a key part of public service renewal—although the government has yet to determine what will happen to centrally run programs under the new legislation, which proposes the delegating of staffing authority to departments. Federal departments face simultaneously the prospect of a high rate of retirement, particularly from their upper and middle ranks, and the challenge of recruiting people with higher education and levels of skill.

5.61 Although the level of indeterminate hiring has increased in relation to term hiring over the last two years, managers still use term hiring for expediency despite the opportunity to hire for indeterminate positions from a pre-screened inventory. They still need to change their perspective on recruitment to strike a better balance between the immediate need to fill vacancies and the strategic needs of their departments.

5.62 In co-operation with departments and agencies, the government needs to analyze its global requirements for recruitment and renewal. It also needs an accurate profile of the education and skills of people who are entering the public service through the various means of recruitment. Only then can it use its recruitment programs efficiently and promote more effectively the careers it can offer to university graduates.

5.63 The Public Service Commission has improved the way it reports to Parliament on the results of its recruitment program activities. However, it needs to describe these results in the context of other policies and programs that also influence recruitment.

Public Service Commission's comment. The Public Service Commission accepts the findings, which recognize the progress achieved in program design since the Auditor General's December 2000 Report. The Commission continues to improve the program and has implemented an extensive

marketing strategy to increase the use of the Post-Secondary Recruitment program by departments and agencies. On its Web site the Commission is also adding information on, and links to, departments and agencies that recruit for specific jobs.

Treasury Board Secretariat's comment. We concur with the majority of the findings and recommendations. With regard to the new Term Employment policy, we will be monitoring its implementation and will take steps to ensure that it does not have a negative impact on recruitment through the Post-Secondary Recruitment program. We believe that marketing the program and educating managers about it are the most effective ways to ensure that it is used fully. We will continue to work with departments and agencies and the Public Service Commission to identify human resources capacity shortages and develop strategies to respond to them.

About the Follow-up

Objectives

The objective of the follow-up was to determine whether changes to the Post-Secondary Recruitment program have made it more effective at hiring graduates as part of the renewal of the federal public service.

Scope and approach

We looked at whether the Public Service Commission met its commitment to redesign the program and improve the program's marketing, and whether this had led to the desired results. We assessed whether the changes had affected the use of the development programs that come under the Post-Secondary Recruitment program.

We interviewed Public Service Commission staff and human resources officials of six selected departments to explore reasons why departments are or are not using the Post-Secondary Recruitment program and to seek their views on the redesign.

We looked at the Public Service Commission's marketing of the program on university campuses and conducted interviews with some university staff to gauge the impact of the changes.

Given that the redesign of the program is recent, we also looked at whether plans for further improvements were being developed. Finally, we looked at whether the Public Service Commission has improved the information it reports to Parliament on the program, including the outcomes.

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Chapter

6

Reform of Classification and Job Evaluation in the Federal Public Service

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by the Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

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Reform of Classification and Job Evaluation in the Federal Public Service

Main Points

6.1 The government has been trying since 1991 to reform the classification and job evaluation system in the federal public service in an effort to resolve long-standing problems. In May 2002 it announced that its second attempt at reform, the Universal Classification Standard, could not be implemented. In the work to convert positions from the old classification system to a new compensation structure using the new Standard, a single pay structure for all positions in the public service could not be achieved without causing unmanageable disruption to the federal workforce. The Treasury Board Secretariat could not find a way within the existing salary protection policy to reconcile the funds available for the conversion with a manageable rate of salary protection that management and unions would accept.

6.2 Thus, in April 2001 the Secretariat decided not to implement the Standard government-wide. This planned universal approach has now been abandoned, despite a large investment of time and effort by tens of thousands of employees and an estimated investment of about $200 million in incremental costs between 1998 and 2001.

6.3 The Secretariat has since embarked on a third attempt to reform classification. The new approach is a modification of the old classification system. Like the old system, it will use separate standards for each occupational group, making it difficult to compare the value of the work of different groups and related differences in pay.

New issues

6.4 The President of the Treasury Board announced in May 2002 that the government would begin developing a new step-by-step approach to classification reform, tailored to specific occupational groups. The Secretariat is committed to using some of the work completed under the Universal Classification Standard project as a basis for developing the new group-specific standards, thereby recouping part of the investment made in developing the Standard. Our follow-up found the Treasury Board Secretariat still at the planning stage of the new approach.

6.5 The Secretariat will have to manage a number of challenges to succeed in this third attempt. We have concerns about the new approach:

- The Secretariat has not defined an overall vision of what classification reform will entail and has not articulated a comprehensive plan and timetable for completing the reform.

- Through the new approach, the Secretariat aims to develop classification standards that meet the specific needs of each occupational group across the public service while also meeting the business needs of departments and agencies. However, the business needs of some 60 entities are varied and diverse.

6.6 Some long-standing and intractable issues will need to be resolved:

- There are no objectives and no formal policy for compensation in the public service to guide the new approach to classification and compensation reform.
- There is still a need to align the current pay structures—mainly the products of separate negotiations with 16 unions over the past 35 years—with new classification structures to be developed that are intended to reflect the value of the work employees are doing today. This alignment is needed to ensure that the reform will succeed this time.
- The Secretariat is still developing a strategy for meeting the pay equity requirements of the *Canadian Human Rights Act*.

6.7 Over the past 10 years, the Secretariat did not exercise sufficient control over the classification of positions in the public service to ensure that positions were classified accurately. Between 1993 and 1999, about 28,000 promotions—almost one third of all promotions—were awarded through the reclassification of positions. The Secretariat does not know how many of these positions may have been overclassified. Since classification is directly linked with compensation, there is a risk that the government is overpaying some of its employees.

6.8 In our interviews, we found that although there had been no formal post mortem, each senior official of the Secretariat we met with had learned lessons based on the scope of his or her responsibilities. A key change made was the reorganization of the Secretariat's Human Resources Branch.

The Treasury Board Secretariat has responded. The Secretariat has accepted two of our recommendations and indicates in its responses the action it intends to take. In its response to our third recommendation, it is not clear whether the Secretariat agrees or disagrees with the recommendation.

Introduction

6.9 The reform of classification and job evaluation in the public service was one of the most important changes to come out of the November 1990 White Paper, *Public Service 2000: The Renewal of the Public Service of Canada*—the initiative that was known as PS 2000. As part of service renewal, the government wanted to simplify employment and personnel management in order to redirect resources toward services to the public.

6.10 A PS 2000 task force was set up in 1990 with a mandate to examine the design and administration of the classification and job evaluation systems, taking into account the values and objectives desired for a renewed public service.

6.11 From 1991 until early 2001 the Treasury Board Secretariat, as the task force recommended, worked to reduce the number of occupational groups and simplify the practice and administration of job evaluation. The task force suggested developing a single job evaluation plan that would reflect the requirements of the *Canadian Human Rights Act*.

Why robust classification and job evaluation systems are needed

6.12 In the federal public service, the classification and job evaluation systems are considered the cornerstone of human resources management. Because collective bargaining is based on occupational groups, there are important links between classification and job evaluation and other aspects of human resources management such as staffing, organizational design, and bargaining unit structure. As of March 2002, the federal public service employed some 168,000 people and had a payroll of about $9 billion. In an organization of this size, any change to classification and job evaluation can have significant multiple effects on the rest of human resources management. (Our May 1996 Report, Chapter 5, Exhibit 5.4 describes some key links between classification and job evaluation and other aspects of human resources management.)

6.13 What is more important, since job evaluation is primarily a way to establish internal equity in an organization, the evaluation results serve as a foundation for determining basic pay. Other variables such as the external market, collective bargaining, and how much the organization can afford to pay will also affect basic pay. Together, these factors contribute to ensuring that the organization provides equitable pay for all of its employees and that it can attract, retain, and motivate skilled employees.

Why the classification and job evaluation systems needed reform

6.14 In 1990, positions in the federal public service were classified into 72 occupational groups and 106 sub-groups and into a number of levels in each of these groups. This occupational group structure had been created over 35 years ago, mainly as a basis for collective bargaining, and there were close to 80 bargaining units. As a result of this complex occupational group and bargaining structure, the public service had some 840 pay rates and 70,000 rules governing pay and allowances when PS 2000 began.

6.15 In the federal public service, classification and job evaluation are intertwined. Classification assigns positions to the appropriate occupational group. Job evaluation determines the relative value of jobs, based on the content and requirements of each job. The evaluation results are then used to determine which positions in each occupational group should receive the same rates of pay, using a classification standard for each occupational group with a series of factors and a rating guide as well reference positions.

6.16 As the task force pointed out in 1990, both the classification and the job evaluation systems were cumbersome, too complex, very time-consuming, and too costly to operate—to say nothing of their impact on costs in other areas of human resources management. The task force further recognized that the two systems presented many obstacles to the redeployment of resources and, in many cases, changes in technology and work organization had made them obsolete. They were highly susceptible to manipulation, in the view of the task force. It also found that the job evaluation system was not responsive to pay equity concerns.

6.17 **A long history of attempts to reform classification.** In fall 1993 we audited the "final draft" of a new job evaluation system developed by the Treasury Board Secretariat, the Universal Classification Standard. We audited it before it was fully implemented, to see whether it would achieve the Secretariat's objectives—one of which was to simplify the occupational group structure by reducing the 72 occupational groups to 23, as the PS 2000 task force had recommended. We also wanted to examine a number of concerns that stakeholders had raised about the design and development of the Standard.

6.18 We reported on that audit in our May 1996 Report, Chapter 5. We concluded that the Standard was a step in the right direction but would have to be improved substantially to be workable. We noted that the Treasury Board Secretariat had already acknowledged the Standard's shortcomings and had begun to redesign it.

6.19 In 1999, the government simplified the occupational group structure by reducing it from 72 to 29 occupational groups, with a new legal definition of each group. As a result, however, not all occupational groups had a distinct classification standard. New occupational groups that had merged a number of former occupational groups continued to use the old groups' classification standards and designations (such as CR for the clerical group and PM for the program management group, which are now within the program and administrative services or PA group). Twenty-five groups retained their union affiliations; the four others were exempted from union representation and collective bargaining.

6.20 In 2000 we followed up on the development of the Standard, and in our December 2000 Report, Chapter 22, we concluded that significant issues still had to be addressed:

- Before converting to the new Standard, the Secretariat needed to ensure that departments were applying it appropriately.

- Departments needed to ensure that their work descriptions and position evaluation results were valid and reliable.
- The Secretariat needed to test the Standard further to determine to what extent it was universal and gender-neutral.
- The government needed to ensure that a reasonable and realistic level of financial resources would be available to convert positions to the new Standard.

6.21 A change in direction: An end to the universal approach. In May 2002, the President of the Treasury Board declared that a universal approach to the classification system—applying a single classification standard and a single pay structure to all public service positions—was not workable. She announced that classification reform was moving ahead but in a substantially different direction—from a universal approach to one tailored to each occupational group.

Focus of the follow-up

6.22 The government has identified the importance of and need for classification reform for some time. We have audited it and will continue to give it attention.

6.23 In our new approach to following up on previous audits, we re-audit the most significant areas—those that are systemic and current and that carry higher risk. In some cases, we extend our work to new issues that are related to the original audit. Normally, we would follow up on our previous recommendations, but since the government has significantly changed its approach to classification reform, we focussed on its progress from 2000 to 2002 and the challenges that remain.

6.24 Our follow-up looked at the continuing need for reform, the status of the new approach, lessons learned in the reform efforts to date, and corrective action identified and incorporated into planning the new approach. We also looked at how the Secretariat is ensuring in the meantime that it gives departments and agencies the clear direction and support they need to classify positions accurately under the old classification system.

6.25 Our follow-up scope and criteria are set out in About the Follow-up at the end of the chapter.

Observations and Recommendations

The Standard was not the problem

The Standard is still recognized as a reasonable tool for job evaluation

6.26 By the end of our first follow-up in 2000, the Treasury Board Secretariat had finished designing the Universal Classification Standard, except for confirming the final weighting of the elements and the number and point ranges of levels. In December 2000 we reported that the majority of departments we had consulted considered the Standard a promising tool for job evaluation.

6.27 A key part of developing the Standard was establishing the relative importance of its elements to the objectives and values of the public service. In collaboration with all stakeholders, the Secretariat produced a reasonable ranking of job levels (from novice to expert) that reflected the values of the public service and incorporated the factors required by the *Canadian Human Rights Act* and Equal Wage Guidelines.

6.28 In May 2001, the Canadian Human Rights Commission reported on the gender-neutrality of the Standard. It concluded that while some improvement was needed, the Standard was meeting the mark reasonably well.

6.29 In our current follow-up we found that the Secretariat had made significant progress on our December 2000 recommendation—to ensure that departments were implementing the Universal Classification Standard appropriately. For example, it intervened with departments in many targeted areas in an effort to make position evaluation results more consistent. It audited the quality of work descriptions as part of its quality assurance efforts and found that over 97 percent of the 966 work descriptions sampled were of medium to high quality.

6.30 In consultation with departments, the Secretariat also put in place the Web-based Conversion Monitoring System to follow departments' progress and determine how ready they were to convert their positions to the Standard. In July 2001, the Secretariat concluded that an average of 77 percent of position evaluation results in departments were good enough to meet the requirements for conversion. However, departments still needed more time to reach the 95 percent expected by the Secretariat.

6.31 During our current follow-up, senior officials of the Secretariat still asserted that the Standard could reasonably measure the full range of work in departments and was flexible enough to adapt to the evolving nature of work in the public service. They told us that the Standard is a useful tool. The Secretariat is committed to using some of the work already completed as a basis for developing new, group-specific standards and thereby recouping part of the investment made in developing the Standard.

6.32 Secretariat officials noted a number of other residual benefits. Some organizations took advantage of the application of the Standard to streamline their organizational structures and move to more generic position descriptions, thus reducing administrative burden.

A large investment in classification reform over the last 12 years

6.33 More than 12 years have passed since the Public Service 2000 task force and the White Paper initiated the first attempt to reform classification in the public service. During those years, tens of thousands of employees from some 60 departments and agencies devoted significant amounts of time and energy to writing, evaluating, and revising work descriptions for some 150,000 employees—more than once. Representatives of the 16 unions also participated actively in the many activities generated by the Universal Classification Standard project.

6.34 Since there was no mechanism in place to track the costs of this major project in departments or in the Secretariat, in 2001 the Secretariat asked a third party to design a costing methodology and to estimate the size of the departmental investments in the Standard project between 1998 and 2001. The study was to estimate only incremental costs, defined as "costs that would not have been incurred in the absence of the Universal Classification Standard project"—in other words, only the costs of additional salaries for new positions or of replacements for employees seconded to the project, overtime, infrastructure, training of managers and employees in the use of the new Standard, contracts, and system development directly related to the project. They did not include the ongoing costs of salaries for classification staff or for employees and managers involved in writing work descriptions or participating in evaluation committees.

6.35 The study looked at five large departments, and in 2001 it reported on their incremental cost for the Standard project as a basis for estimating the incremental costs government-wide. The study estimated the total incremental cost of the Universal Classification Standard project at about $200 million from 1998-99 to 2000-01. The study report noted that while the estimate was not perfect, it was reliable enough to provide global indicators of incremental cost. We could not audit the estimate, but we reviewed the work it was based on and we believe it is a reasonable estimate of incremental costs; there is no good estimate of total costs for the 12 year period. According to the Secretariat, new funding accounted for only $25 million; other costs were absorbed by reallocations within departmental budgets.

Challenges encountered

The development of a single pay structure could not be achieved

6.36 Developing a universal approach to compensation that would fit a universal approach to classification represented a significant change in direction from the last 35 years.

6.37 The PS 2000 task force assumed that with the implementation of the Standard, a common job evaluation plan would support the concept of "equal pay for work of equal value" and would rely on internal relativity as the underlying principle of compensation in the public service. The focus of the Treasury Board Secretariat's Universal Classification Standard Division was on internal relativity as a basis for pay.

6.38 To implement the Universal Classification Standard as planned, the Secretariat had to develop a single pay structure that the government could afford and that key stakeholders would accept, particularly senior management and unions.

6.39 In developing such a pay structure, the Secretariat had to work with the following constraints:

- Costs needed to be kept within the available funds.
- The salary protection policy could not be changed (no employee was to suffer a financial loss as a result of the conversion).
- Salary protection rates had to be acceptable.

- The rates of pay in the new pay structure resulting from the conversion had to be negotiated with unions.
- The compensation solution could not increase the government's pay equity liability.

6.40 From 2000 to 2001, the Secretariat worked to develop a single pay structure for all occupational groups (except the executive group) by consolidating the 72 existing pay structures.

6.41 In 2001, based on data from the December 2000 results of applying the Standard, the conversion of all positions to a single pay structure was deemed unfeasible with the $400 million available to fund the conversion. The new pay structure could be achieved within approved funding only by assuming a salary protection rate of about 50 percent. This would mean that about 50 percent of employees would have seen their classification levels lowered upon conversion to the Standard but not their pay. The classification levels of a significant number of employees would have been raised as well as the maximum pay rates. Furthermore, the difference between some pay levels was found to be not a meaningful enough incentive to take on more responsibilities. According to the Secretariat, the single pay structure would have been counterproductive and would have significantly affected the satisfaction and motivation of public service employees.

6.42 Senior officials told us they were particularly concerned in 2001 about several other difficulties that a single pay structure presented. Given the market forces, there was a strong probability that many exceptions to the single pay structure would have to be made to compete with the outside labour market for certain skill sets that were in high demand. This would quickly move the public service away from a single pay structure. Other concerns were that a single pay structure might compromise the right of unions to bargain; it could lead to a larger union or a critical occupational group setting a pay structure that was not appropriate for others; and it could be seen as a constraint on the employee's freedom of association. In our opinion, these are concerns that existed from the beginning of the Universal Classification Standard project and should have been dealt with while the Standard was being developed.

Collective bargaining, affordability, and market forces have shaped existing pay structures

6.43 In our December 2000 Report we noted that the Treasury Board Secretariat had to work to find an acceptable approach to compensation that took into account pay equity requirements, internal relativity, market forces, and affordability—difficult challenges to reconcile.

6.44 Since 1967, pay rates for unionized occupational groups have been established separately through collective bargaining for each group. Until recently, the process of establishing pay rates focussed on balancing affordability against parity with the outside labour market. Internal equity among all employees in the public service was not given the same emphasis.

6.45 The collective bargaining process for the 72 occupational groups, now in some 24 bargaining units, has produced 72 pay structures over time that each reflected the cumulative trade-offs in bargaining. Furthermore, the bargaining power of some unions, given their size and/or the critical skills they represented, had an impact on settlements. The established patterns of collective bargaining were among the factors that contributed to the difficulty of arriving at a single pay structure.

6.46 Before the development of the Universal Classification Standard, the federal public service did not have a good basis for assessing the internal equity of its occupational groups. Once the Standard was applied, the Secretariat plotted departments' position evaluation results according to the present salaries of the positions on a pay structure that fit the available funding. It found that the majority of positions were outside the desired pay structure, either higher or lower than the pay that was proposed.

Decisions on external and internal relativity affected compensation

6.47 Over the years, several decisions on compensation have had an impact on internal relativity among occupational groups and on parity with the outside labour market. These decisions include the following:

- A freeze on salaries from 1991 to 1997, causing some salaries in the public service to fall behind those of comparable jobs in the private sector.
- The settlement in 1999 by a Canadian Human Rights Tribunal of pay equity complaints for six occupational groups.
- The payment of special allowances through collective bargaining to 13 occupational groups to help attract and retain people with skills that were in high demand on the labour market—for example, computer scientists and engineers. Intended to be temporary, these allowances have in effect become part of the pay structure for these groups, whether or not the competitive demand has since disappeared.
- Compensation adjustments negotiated by each bargaining unit between 1997 and 2002 that led to significant variability in wage increases.

No corporate policy on compensation

6.48 To maintain a balance between affordability and internal and external equity, an organization generally needs a sound corporate policy on compensation for all occupational groups, including executives. A compensation policy is designed to support the organization's achievement of its strategic objectives for human resources management as well as its business objectives.

6.49 The federal government has not had a formally approved compensation policy to guide its compensation decisions, and the impact can be seen in the many salary structures it has to deal with. Although the principles of a compensation policy were discussed over the years by various officials of the Treasury Board Secretariat, there was no formal framework in place to balance competing objectives and to review the impact of collective

bargaining decisions for one group on negotiations for the others. In some cases, compensation issues discussed in collective bargaining were assessed for their potential impact on the government's pay equity liability or internal relativity. However, we saw no evidence of a concerted, structured approach within the Secretariat and with stakeholders during the Standard's development that led to significant changes in its approach to collective bargaining that might have smoothed the path for a single pay structure, allowing for conversion to the Universal Classification Standard.

6.50 Although the Secretariat has done considerable work recently to develop a compensation policy for the public service, no such policy has yet been finalized.

6.51 **Recommendation.** The Treasury Board Secretariat should complete its development of a coherent corporate compensation policy. The Secretariat should monitor and evaluate the effects of the policy's implementation on compensation.

Treasury Board Secretariat's response. The Human Resources Management Office (HRMO) is currently developing a comprehensive policy, which will assist in shaping the federal government's approach to compensation, including the development of collective bargaining mandates. A discussion paper is expected to be released this spring with the intent of having a policy approved in autumn 2003.

Federal public service compensation should serve, within an all overall human resources policy framework, to attract, retain, motivate, and renew the workforce required to deliver business results to Canadians. There are several factors that influence compensation, including the private sector labour markets, internal relativity among groups, macro-economic policy, social policy, relevant legislation, union leverage, public opinion, economic conditions, and the state of government finances. The policy will provide guidance on how to balance these factors and the risks associated with them. Indicators will be developed to monitor the implementation of the policy as it affects compensation outcomes.

Unrealistic assumptions used in establishing costs

6.52 The conversion of some 150,000 positions to a single pay structure had to be done with the funds that were available. Making solid cost estimates was critical.

6.53 In 1991, the Secretariat committed to achieving cost neutrality in converting public service positions to the Universal Classification Standard. That is, it assumed that in the long run, the costs of salaries for positions converted to the new pay structure would be balanced by the savings—making the exercise cost-neutral.

6.54 In 1997, the Secretariat produced a first estimate of the conversion costs. Since actual evaluation results were not available at the time, it based its estimate on previous experience with classification conversions and other historical data and arrived at an estimate of $400 million over four years as

the total cost of conversion. The Treasury Board gave it Preliminary Project Approval, even though this was a very rough estimate.

6.55 We note that the $400 million cost estimate represented 1.5 percent of the payroll. However, our audit experience and the academic literature indicate that conversion costs might range around 3 percent of payroll—and more, when adjustments for pay equity are required.

6.56 By 1999, the Secretariat recognized that given the changing nature of work in the public service, cost neutrality was not achievable; it was dropped as an objective. The Secretariat refined the cost estimate to $434 million over four years, assuming a salary protection rate of 40 percent.

6.57 In January 2000, the Secretariat reviewed the funding required for the conversion, based on a sample of actual position evaluation results in departments using the Universal Classification Standard. This review too, had to assume a salary protection rate of 40 percent in order to stay within the approved funding limit.

6.58 There was no support among deputy ministers for a salary protection rate of 40 percent. They were concerned about the disruptive impact on workforce morale at a time when competition for staff was starting to grow. Although the existing salary protection policy stipulated that no employees would lose income as a result of the conversion, employees with salary protection tend to feel that their work is undervalued; other employees may consider them overpaid.

6.59 The Secretary of the Treasury Board asked officials to work with a salary protection rate of five percent instead, a rate that the deputy ministers did support. Further cost analyses suggested that the cost of converting 150,000 positions using a salary protection rate of five percent would be about $1.1 billion over a number of years.

6.60 In January 2001, based on several compensation scenarios using the December 2000 results of position evaluations in departments, the Secretariat found that to convert the 150,000 jobs and stay within the funding limit of $434 million, it would have to use a salary protection rate of about 50 percent to 60 percent. In February 2001, the Secretariat concluded that a single pay structure did not appear viable. It could not find a way within the current salary protection policy to reconcile available funding with a salary protection rate that was manageable and acceptable to management and unions.

Other compensation approaches explored

6.61 The Secretariat considered two other approaches to compensation. The first would use one classification standard with several pay structures, based on the position evaluation results using the Standard. However, the Secretariat concluded that this option would offer little defence against supporting differences in pay in the collective bargaining process or against pay equity complaints.

6.62 The second approach was essentially the same as the old approach to classification and compensation, that is, a different classification standard and pay structure for each occupational group. The Secretariat believed that this approach would be less costly and less disruptive than either the first approach or a single pay structure. It recognized, however, that this approach to compensation risked increasing the government's pay equity liability. It noted that if the reform were substantial, it would support the reform and the initiative to modernize the management of human resources functions across the public service. If the majority of the public service were left untouched, the ability to support broader human resources reforms would be similarly limited.

6.63 The Secretariat established a consultation and decision-making process to validate the analysis and conclusions of its staff. In February 2001, a committee of assistant deputy ministers was formed to assess the full potential implications of not implementing the Standard as originally envisioned. The committee examined several options, including putting a halt to all classification reform, and reviewed the two options developed by the Secretariat.

6.64 The committee concluded that classification reform was still needed. It developed a proposal for a step-by-step, tailored approach to classification reform, beginning with the program administration (PA) group, to recoup some of the investment in the Standard project. The PA group embraced nine occupational groups with the oldest standards and over 45 percent of public service employees. It is represented in every department and includes positions from the lowest to the highest levels of the classification structure (excluding executive levels). Two of the former groups were involved in the major pay equity complaint against the federal government.

6.65 In April 2001 the committee of assistant deputy ministers presented its recommendations to the Treasury Board Secretariat Advisory Committee (an executive committee of deputy ministers), which accepted the need to continue with classification reform and endorsed the tailored approach.

6.66 Early in 2001, deputy ministers and some assistant deputy ministers were aware that the Universal Classification Standard project was unlikely to proceed as initially planned. However, they agreed to continue improving the quality of work descriptions and position evaluation results while new alternatives were explored and a new approach approved.

6.67 From April 2001 through April 2002, the Secretariat engaged in intense education, consultation, and briefings of senior government officials, recognizing that these areas had not received enough attention during the project. It examined the feasibility of proceeding with the PA group, testing options with the largest departments. It worked on a submission to Treasury Board ministers that outlined options and its proposed new tailored approach.

Little communication for twelve months

No information was provided to stakeholders until May 2002

6.68 From April 2001 to May 2002, the Secretariat made no new public announcements on the status of the Universal Classification Standard project—not on its Web site, in letters, or other announcements to departments. As of April 2001, the Secretariat no longer referred to the Universal Classification Standard project, and talked instead about "classification reform," with no explanation.

6.69 Secretariat officials told us that unions participated in some off-the-record discussions that explored solutions to implementing the universal approach, including what other options might be appropriate. However, in April 2001 and again in November 2001, the Public Service Alliance of Canada (PSAC) requested an update from the Secretariat on the status of the Universal Classification Standard project. According to PSAC records, in each case the Secretariat responded only that work was continuing.

6.70 Following consultations with executives across the country in summer 2002, the Association of Public Executives (APEX) reported that public service executives showed a "definite hint of disengagement" from major reforms of human resource management and linked it directly to the failure to proceed with the Universal Classification Standard. Executives noted that they had invested considerable time and money and their personal reputations in projects that had not materialized.

6.71 Furthermore, the performance information reported to Parliament on the Universal Classification Standard project did not adequately reflect the evolving state of classification reform. In its reports on plans and priorities for 1998-99, 1999-2000, and 2000-01, the Secretariat said that it planned to implement the Universal Classification Standard (Exhibit 6.1). In its 1998-99 Departmental Performance Report, it said it would implement the Universal Classification Standard as the cornerstone of other reforms. The Secretariat said also that conversion of the public service would be administered on a staggered basis throughout 1999. In its departmental performance report for 1999-2000, it said it was implementing the Universal Classification Standard when in fact it was still testing the Standard's application, and indicated that conversion would not be completed until 2000-01. However, its departmental performance report for 2000-01 dropped all direct reference to the Universal Classification Standard. Instead, the Secretariat began referring to "classification modernization." There was no explanation for why the terminology had changed and what it meant, or its implications for human resources management modernization.

6.72 Officials of the Secretariat told us that the announcement of a new approach was delayed for a number of reasons. They wanted to develop an alternative to classification reform, and that would require the approval of Treasury Board ministers before it could be announced. A tense labour relations climate, the events of September 11, 2001, and changes in the Secretariat's senior management also contributed to the delay.

Exhibit 6.1 The Treasury Board Secretariat's reporting on classification reform

What the Secretariat planned in Report on Plans and Priorities	What the Secretariat reported in Departmental Performance Report
1998–99 Implement the Universal Classification Standard (UCS), a modern, universal and gender-neutral job evaluation tool that serves as the critical underpinning of other human resources management reforms in collective bargaining, compensation and staffing.	1998–99 The Universal Classification Standard will serve as the cornerstone of human resources management reforms including collective bargaining, compensation and staffing...the government published the new Universal Classification standard occupational group definitions...reducing the number...from 72 to 29, thereby allowing for more effective human resource management and greater employee mobility. Conversion of the Public Service will be administered on a staggered basis throughout 1999 as collective agreements expire.
1999–2000 Implement the Universal Classification Standard Use the potential of Universal Classification Standard, post-conversion, to facilitate human resource management reforms in collective bargaining, compensation, staffing and organizational development. Negotiate the new compensation structure for the implementation of Universal Classification Standard.	1999–2000 Implementation of the new gender-neutral occupational group structure—the Universal Classification Standard (UCS)—continued during 1999-2000. Following some delays, the conversion is expected to be completed during the 2000-01 fiscal year. Gender neutrality, simplicity and universality in job classification are the goals of the new standard. UCS is also an integral part of a modern human resources framework that will make the public service more flexible in serving Canadians in the 21st century. Further details on the progress of implementation are available on the Secretariat's Web site.
2000–01 Begin using the Universal Classification Standard as a key corporate tool to stimulate change	2000–01 Work continued on preparing for classification modernization
2001–02 Modernization of the classification plan	2001–02 The Secretariat...implemented a number of reforms that...addressed challenging issues such as...the improvement of the classification system...The Secretariat has identified viable options for a tailored classification reform program. It will be flexible, gender neutral, and conducive to recruiting and retaining the diverse workforce needed in the Public Service.

Source: Treasury Board Secretariat Reports on Plans and Priorities and Departmental Performance Report

Poor oversight of classification

Old classification standards are obsolete

6.73 One of the Secretariat's responsibilities is to establish adequate classification standards and the controls to ensure that positions are classified according to those standards. We expected that given that responsibility, it would take steps to ensure that positions would be classified adequately throughout the development of the Universal Classification Standard and until the Standard was fully in place.

6.74 Thirteen years after the PS 2000 classification task force made its recommendations, departments are still using the 72 old classification standards. Numerous problems with these standards have been identified over the years:

- Many of the old standards do not include the four factors listed in the *Canadian Human Rights Act* and Equal Wage Guidelines and therefore cannot be used for analysis of equal pay for work of equal value.
- Some are obsolete.
- Some refer to work no longer performed and equipment no longer used in the public service.
- Some exclude important dimensions of work today and do not distinguish meaningfully between degrees of job complexity.
- Some classification standards do not measure unique aspects of work and consequently credit the same job content more than once. For instance, in some standards we find that the larger the budget to be managed or the higher the number of people to be supervised, the higher the value of the position. Since the budget to be managed increases with the number of people supervised, in effect the same aspect of work is credited twice. Furthermore, these classification standards support values no longer relevant to achieving efficient delivery of services and programs.

No mechanisms for monitoring or controlling classification

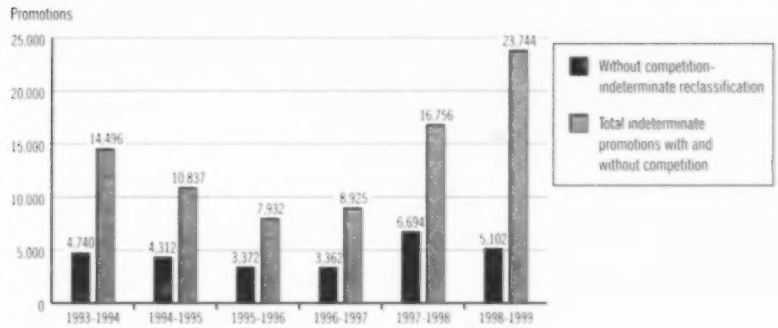
6.75 Departments have been delegated the authority to classify and also reclassify positions. A reclassification is the appointment of an employee, without competition, to a position whose occupational group, subgroup, or level has changed as the result of the position's re-evaluation.

6.76 Leading up to the planned conversion to the Standard, the Treasury Board Secretariat suspended its central monitoring of classification and conducted its last audit of classification in 1991-92. In the years when the Secretariat still controlled classification, about six percent of public service positions were either overclassified or underclassified.

6.77 Reclassifications as a percentage of total promotions have remained relatively constant—around 30 percent—over the past 10 years, according to the Public Service Commission's records. From 1993 to 1999, the Treasury Board Secretariat has had no mechanisms for controlling or monitoring classification. It thus has had no way of knowing whether any of the roughly 28,000 positions whose reclassification resulted in promotions were

misclassified or the magnitude of the cost of any such misclassifications (Exhibit 6.2). In 1990, we reported that the Secretariat had estimated that a 6.4 percent rate of misclassification in 1988-89 resulted in an unwarranted annual net cost of $5.3 million.

Exhibit 6.2 Reclassifications resulting in promotions, 1993 to 1999



Source: PSC annual reports - Not audited

6.78 In our 2000 follow-up we found that when the Secretariat began to apply the Universal Classification Standard in 1998, some departments and agencies had not reviewed the old classifications of their positions to determine whether they were accurate and up-to-date. We noted that no one had any idea how many positions at that time had been misclassified.

6.79 In fall 2002, the Secretariat conducted a survey to capture an accurate overview of classification practices and capabilities across the public service. Preliminary results showed that nearly 35 percent of positions classified under the old standards over the past few years had been evaluated using the work description elements of the Universal Classification Standard, but without guidance from the Secretariat. The Secretariat recognizes that in the absence of appropriate guidelines, departments may have evaluated the Standard-style work descriptions against old standards in different ways and arrived at different results.

6.80 Recommendation. The Treasury Board Secretariat should ensure that timely audits of classification are conducted and take all the necessary measures to restore and sustain the integrity of the classification of positions in the public service.

Treasury Board Secretariat's response. The Secretariat agrees on the importance of ensuring the integrity of the classification system. In line with the Treasury Board Policy on Active Monitoring, the Secretariat uses the term "active monitoring" rather than "audit." This approach is well suited to the classification system because deputy heads are delegated the authority by the Treasury Board to make classification decisions. Departments are responsible for monitoring how positions are classified within their organizations and the Treasury Board Secretariat is responsible for supporting departments and monitoring the overall situation across all departments.

The Secretariat has reminded deputy heads of their responsibility for systematic monitoring to ensure integrity of classification in the public service. The Secretariat is implementing its active monitoring program in 2003–04 on two levels. At the departmental level, it will assist classification managers to build their own active monitoring program or to align their current program with the active monitoring approach. At the corporate level, it will undertake a comparative study of how a classification standard that is commonly used by departments is being applied. Working with a selected department, the Secretariat will also test its active monitoring methodology and report on the results. New electronic, Web-based tools are under development to assist departments in the consistent application of the existing standards. The Secretariat will continue to advise departments on applying the classification standards and will deal with grievances and dispute resolution. All classification monitoring initiatives will be synchronized with other Secretariat review mechanisms to ease the burden on departments.

The Secretariat is developing tools to work with the old system

6.81 The Secretariat is working to make old classification standards usable; to bring all standards into conformity with the occupational group structure at a minimum; and to maximize the use of the work descriptions developed under the now ended Universal Classification Standard project. Documents from the Secretariat indicate that all these activities are taking longer than originally forecast.

6.82 Over the last year, the Secretariat has started developing a number of measures to provide departments with direction and support for classifying positions using the old classification standards.

6.83 The demise of the Universal Classification Standard project has increased the demand for reviewing classification levels using the old standards, much of which was deferred because the new Standard was soon to be implemented. Hard copies of the old standards are in short supply across the public service. At the time of our follow-up, the Secretariat was scanning its 72 old classification standards into electronic format and had informed departments that it would post them on its Web site early in 2003.

6.84 The Secretariat is developing some monitoring tools for its own use and for use by departments, such as databases and report-generating tools that would allow departments to do peer reviews, update their data, and improve job relativity ratings among departments. The Secretariat is developing a classification monitoring framework that, in line with the Treasury Board policy on active monitoring, allows departments to monitor their management practices and controls. It expects to implement these initiatives in 2002-03 and to be actively monitoring the overall state of classification by 2003-04.

6.85 As noted earlier, during the Universal Classification Standard project the majority of departments rewrote their work descriptions in the style of the Standard. The Secretariat is developing a tool to match the work described in the Standard-style work description format to the requirements of the old

classification standards. The tool is designed to assist departments in collecting information that may be missing from Standard-style work descriptions (such as number of people supervised, or size of budget) but that is needed to evaluate positions by the old standards. It plans to provide guidelines for evaluating the new work descriptions against old standards in a consistent way to ensure relativity throughout the public service.

6.86 In our opinion, besides the other problems we have set out that are inherent in the old standards, they will not value or assess much of the job content captured in the Standard-style work descriptions.

The end of the universal approach was announced

6.87 On 8 May 2002, the President of the Treasury Board announced that while classification reform was still a priority, a universal approach to classification was not workable in the current environment. The government would begin a new program of step-by-step, targeted, and tailored reforms. Exhibit 6.3 summarizes the key features of this new approach.

6.88 The new approach will begin with occupational groups whose standards require fundamental changes. As of March 2003, the Treasury Board Secretariat had not finalized the identification of those groups or determined which classification standards would require only updates or no change. In the interim, the Secretariat has given priority to the rebuilding of capacity in departments and agencies to classify their positions using the 72 old classification standards.

Exhibit 6.3 A new direction for classification reform

Key aspects of the new approach include the following:

Standards will be tailored to respond to the specific needs of each occupational group.

The government will continue to subscribe to the pay equity principle and awaits a proposal from the Pay Equity Task Force for an improved approach to achieving and maintaining pay equity.

Tailored standards will reduce the need for the large number of standards currently used.

Reforms will be carried out only for occupational groups that require major changes to their standards.

Classification reform will be implemented on a three-year rolling plan.

Classification reform will be carried out in co-operation with departments and unions.

The reform of selected occupational groups will use, where possible, work already done under the Universal Classification Standard project such as the work description format.

The new approach will support the modernization of human resources management, an initiative now under way.

Source: Treasury Board Secretariat http://publiservice.tbs-sct.gc.ca/media/nr-cp/2002/0508_e.asp

Issues yet to be resolved

The new tailored approach faces significant challenges

6.89 Classification reform is part of the government's initiative to modernize human resources management in the public service. However, it is not clear how classification reform will be aligned with the broader modernization initiative and its reform strategy and objectives. Further, the government has defined no clear vision of the overall results it expects to achieve with its incremental and tailored approach. Nor has it established a timeline for managing its classification reform.

6.90 Classification is an essential component supporting many human resources management policies and systems in the public service. Therefore, it is particularly important to ensure that any reform of classification be based on a solid foundation. During our audit, the Secretariat told us that it was at an early stage of developing a framework for human resources management.

6.91 The Secretariat has made a deliberate decision to correct problems as the reform of classification moves forward. This represents significant risks when the overall end results are not defined. For instance, a new classification standard to meet the specific needs of one group could be implemented without knowing the potential impact on other occupational groups slated for attention later.

6.92 Similarly, the Secretariat intends to meet the specific needs of occupational groups across the public service while still responding to the business needs of departments. The mandate, organizational structure, programs, and services of some 60 departments and agencies are unique; attempting to reconcile the very diverse needs of all these organizations while developing a government-wide classification standard for each occupational group will be a significant challenge.

6.93 One concern for the Secretariat is aligning the new classification structure with a new pay structure for each of the occupational groups selected for reform. In our opinion, since the constraints and conditions that hampered the universal approach still exist, the Secretariat faces the same challenges it encountered in the conversion to the Universal Classification Standard, albeit on a smaller scale. The biggest challenge will be to develop a classification standard for the PA group, a high priority and one of the three groups identified as candidates for the first wave of reform. The Secretariat is still assessing whether the PA group can feasibly be one of the first groups converted to a new standard, and it has indicated that conversion is some years ahead.

6.94 Further, the tailored approach to classification may not address the *Canadian Human Rights Act* requirements. The new approach continues the old system's use of separate standards for each occupational group, which makes it difficult to compare the work of different groups and thereby to justify differences in pay. The new approach risks incurring pay equity complaints and the associated potential liability. The Treasury Board Secretariat has recognized this risk and is developing a pay equity risk management strategy as part of its larger risk management framework in its Human Resources Branch.

6.95 Moreover, the tailored, group-specific classification standards will have to be gender-neutral to comply with the *Canadian Human Rights Act* and Equal Wage Guidelines. The Secretariat intends to use the Act's four provisions (skill, effort, responsibility, and working conditions) in order to recoup part of the work completed in the Standard project. It recognizes that modifying any part of the Standard without ensuring that appropriate safeguards are in place for gender neutrality could increase the risk of pay equity complaints.

6.96 Finally, the long-term plan and funding for classification reform are still uncertain. In February 2002 the Secretariat projected the costs over 14 years to reform classification standards. Given that the scope of classification reform has not yet been decided, it is not clear if this projection covers the full costs. Nor is there a clear end date or target for completing the reform. The Treasury Board Secretariat is working on a three-year rolling plan that requires it to return to Treasury Board ministers annually to review the progress and the costs of the reform.

Lessons learned

6.97 In our follow-up audit we expected to find that the Secretariat had conducted a comprehensive post mortem to determine the root causes of the reform project's demise over the last 12 years and certainly over the course of the Standard project since 1995. To be meaningful, a post mortem would include all key stakeholders and ideally, after the second failed attempt at reform, would be guided by an independent group.

6.98 In our interviews we found that although there had been no formal post mortem, each senior official of the Secretariat had learned lessons based on the scope of their responsibilities and their interpretation of the reasons for the failure. At the end of our audit, the Secretariat gave us a paper summarizing the views of its officials and indicating how they had based the new approach on the lessons learned.

6.99 A key change was the reorganization of the Secretariat's Human Resources Branch. During the second attempt to reform classification (1995 to 2001), the Treasury Board Secretariat's Universal Classification Standard Division was responsible for delivering the Standard as a job evaluation tool and ensuring that departments used it to get reliable results in position evaluations. While consultations happened on some issues, the divisions with related responsibilities (Classification, Labour Relations and Compensation) largely worked independently. The Secretariat has recognized the need for timely and structured sharing of information that is relevant to different divisions of the Branch and to use it as a basis for decisions. It has clustered compensation, labour relations, classification, and pay equity together for a more integrated approach to these areas. In our opinion, this reorganization should help the Secretariat deal with some of the intractable issues that it must resolve in order for reform to proceed.

6.100 The Secretariat recognizes that classification reform is not in itself a solution to all problems of human resources management. It also recognizes the need to involve senior leaders in analyzing the problems and developing

solutions so the reforms will meet the business needs of departments. The Secretariat has committed to working with the public service unions.

6.101 The Secretariat has said that it intends to strengthen the human resources management capabilities of departments, managers, and unions. It also plans to consult with organizations and experts with similar experience outside the Human Resources Branch and the federal public service.

6.102 However, it is not clear to us how the new approach the Secretariat is taking will address the fundamental problems identified by the PS 2000 Task Force, problems that still exist today: the system is complex, cumbersome, very time-consuming, not responsive to pay equity concerns, and costly to operate. The Secretariat has projected the costs of classification reform to 2014 and has announced a strategy and a three-year rolling plan to be revised yearly. But there are no overall objectives for reform, no global plan, and no specific target dates for achieving results. In our opinion, it is questionable whether a reform initiative staggered over many years can be effective.

6.103 Recommendation. The Treasury Board Secretariat should articulate its objectives and expected outcomes for classification reform and develop a global plan for addressing the root problems inherent in the old classification system.

Treasury Board Secretariat's response. The government's goal is to simplify and modernize job classification by introducing a balanced system that reflects labour market realities, treats men and women equitably, and helps it recruit and retain the people needed to serve Canadians. In May 2002, the Treasury Board announced its decision to implement a multi-year classification. Subsequently, implementation initiatives were identified and linked into a coherent three-pronged strategy:

- development of new, tailored, gender-neutral standards responsive to the specific needs of individual occupational groups, where existing standards are particularly outdated;
- ongoing maintenance of existing standards, where necessary, and guidance on their application; and
- rebuilding of system capability through active monitoring and the development and delivery of an up-to-date curriculum for technical specialists and line managers.

Through the adoption of a three-year rolling plan, updated annually, the Treasury Board Secretariat will focus on priorities agreed with departments and unions. Setting business-based priorities, pacing change to fit the system's capacity to manage reform, and resourcing appropriately are the best means to produce sustainable results.

Work to achieve these aims is well under way. Several departments, public service unions, and functional communities have presented their business case proposals for classification reform. The decision as to which occupational groups will be selected for inclusion in the first formal three-year rolling plan will be announced this spring. During 2003–04 we will also be launching our active monitoring program and the first phase of our updated training curriculum.

Conclusion

6.104 Despite 12 years of effort, the government has not made significant progress in reforming its old and problematic classification system. The Treasury Board Secretariat changed its direction on classification reform in 2001; it realized it could not develop a manageable single pay structure with the available funding. In our view, several factors contributed to the failure of a universal approach: the lack of a formal compensation policy; the pattern of collective bargaining over the last 35 years to determine pay; the lack of co-ordination among classification, compensation, labour relations, and pay equity; and flawed costing assumptions. While the Secretariat has reorganized to better co-ordinate its human resources activities, many of the same factors remain to challenge the new approach.

6.105 The Treasury Board Secretariat finished designing the Universal Classification Standard except for confirming the final weighting of the elements and the number and point ranges of levels. The Secretariat says it will use the work done as a basis for developing new group-specific standards.

6.106 The current state of classification standards, some of them more than 30 years old, is a questionable foundation for a new and coherent compensation plan across the public service. The government's ability to justify the adequacy of classification and therefore of compensation in the public service is vulnerable, after a long period with little central control over classification practices in the public service.

6.107 The extent to which positions in the public service today are misclassified is unknown. However, given the number of positions reclassified in the last decade when the Secretariat was not controlling or monitoring classification actions, we view the state of job classification and compensation with serious concern. The Secretariat will need to rebuild and maintain the credibility of the old system until it moves to something else.

6.108 The new, tailored, incremental approach to classification reform that the Secretariat is planning faces significant challenges. It is not clear how it will address pay equity concerns and support modernization in other parts of human resources management—that are founded on the classification system. The government needs a more comprehensive plan to address these challenges.

Treasury Board Secretariat's comment. The Treasury Board Secretariat agrees on the importance of modernizing classification in the public service. This must be done in a way that helps us attract and retain the talent we need to serve Canadians and that treats men and women equitably.

It is evident that we made a substantial investment of time and energy in pursuit of a "universal" approach to classification that proved unworkable. We regret that this much-anticipated project did not fully achieve the intended result.

Much of the work done to prepare for the planned "universal classification standard" (UCS) has proved to be a worthwhile investment. In the main, existing resources were used by departments to carry out day-to-day classification activities. Many employee work descriptions were significantly updated. The strategic use of generic job descriptions has greatly reduced the work required to manage the personnel system. We have introduced innovative gender-neutral approaches into our classification standards design, work description writing, and job evaluation procedures.

Since the Treasury Board President's announcement in May 2002 of a group-by-group approach to classification reform, we have made solid progress:

- We have consulted widely with departments, unions, and functional communities on 18 groups proposed for priority attention. In May 2003, the President will confirm our initial priorities for classification reform.
- The 72 current classification standards have been mapped against the UCS-based work descriptions to ensure public-service-wide consistency of interpretation and application. This spring, we will make all job evaluation standards accessible through the Internet.
- Last autumn we surveyed departments on classification capacity and current practices. The results are assisting us to focus curriculum development, training, and the sharing of best practices. In June, we will hold the first interdepartmental symposium of classification professionals to promote the renewal of the community.

We are convinced that our reporting to Parliament was appropriate. We could not announce a change of direction before a decision by Treasury Board ministers. The analysis leading to this decision did take longer than we would have liked, for the reasons stated in paragraph 6.72. In the meantime, however, senior Treasury Board Secretariat officials did appear before the Public Accounts Committee and indicated that we were exploring alternative approaches to classification reform.

In respect of pay equity, the departments of Justice and Labour and the Canadian Human Rights Commission recognize that the current provisions of the *Canadian Human Rights Act* are difficult to interpret and apply. For these reasons, the Bilson Task Force, appointed in June 2001 by the ministers of Justice and Labour to review pay equity legislation, is studying these provisions now.

Because the recommendations of the Task Force could result in changes to the current policy or legislation, we must take this into account in determining how to best balance our responsibilities to respect the provisions of the *Canadian Human Rights Act*, the *Financial Administration Act* and the *Public Service Staff Relations Act*. We have undertaken several initiatives to better manage our pay equity obligations, such as working at enhancing our capacity to monitor the impact of changes in gender predominance on wages.

In summary, we are trying very hard not to repeat the mistakes of the past as we manage a very complex issue.

About the Follow-up

Objectives

The objective of this follow-up was to assess the progress in job classification reform in the federal public service since 1996 and to identify the challenges ahead.

Scope and approach

The reform of job classification in the federal public service started in 1990 in the context of Public Service 2000 (PS 2000). We situated the current follow-up in the context of the principles, objectives, and recommendations submitted by the PS 2000 Task Force, the objectives of the Universal Classification Standard (UCS) project in 1995, and the progress made until December 2000.

The primary focus of our work was on the initiatives undertaken by the Treasury Board Secretariat in the implementation of the Universal Classification Standard between December 2000 and December 2002. We examined the work and rationale leading to decisions on changes to the Universal Classification Standard project. We reviewed relevant documentation and conducted many interviews to gain a clear definition of the new approach to classification reform announced by the Secretariat in May 2002. We reviewed the analyses conducted by the Secretariat during the decision-making process. We also examined the extent to which the Secretariat had taken measures to identify the key factors that would ensure the success of future classification reform. Finally, we looked at how the Secretariat is ensuring in the interim that departments and agencies have clear direction and the necessary support to classify positions adequately under the old classification system. Our follow-up excluded audit work in departments and agencies.

Criteria

The criteria are drawn from best practices in the areas of classification and job evaluation, risk analysis management, and decision-making processes used in previous studies and audits of the Office. We expected that

- decisions on changes to the classification system would be supported by sound analysis, using all relevant and up-to-date information including the position of key stakeholders;
- key critical success factors for future classification reform would have been identified, based on lessons learned; and
- in the interim, departments and agencies would have clear direction and the necessary support to classify positions adequately.

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MAY 2003

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